



OFFICE *of the* AUDITOR GENERAL  
*Republic of Fiji*

# **REPORT OF THE AUDITOR-GENERAL OF THE REPUBLIC OF FIJI**

**2022**

## **AUDIT REPORT ON ECONOMIC SERVICES SECTOR**



**PARLIAMENT OF FIJI**  
**PARLIAMENTARY PAPER NO. 119 OF 2023**



OFFICE of the AUDITOR GENERAL  
*Republic of Fiji*

VISION

**Promoting public sector accountability  
and sustainability through our audits**

To provide independent value adding  
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To provide an environment where  
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We uphold respect  
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We are ethical, fair and  
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LEGAL FRAMEWORK

2013 CONSTITUTION OF THE  
REPUBLIC OF FIJI

AUDIT  
ACT 1969

ENVIRONMENT  
MANAGEMENT ACT

NDP AND OTHER  
LEGISLATION

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# OFFICE OF THE AUDITOR GENERAL

Promoting Public Sector Accountability and Sustainability through our Audits



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File: 102

17 November 2023

The Honourable Ratu Naiqama Lalabalavu  
Speaker of the Parliament of the Republic of Fiji  
Parliament Complex  
Gladstone Road  
**SUVA.**

Dear Sir

## **2022 AUDIT REPORT ON ECONOMIC SERVICES SECTOR**

In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on the Economic Services Sector for 2022.

A copy of the report has been submitted to the Minister for Finance who as required under section 152(14) of the Constitution shall lay the report before Parliament within 30 days of receipt, or if Parliament is not sitting, on the first day after the end of that period.

Yours sincerely

Sairusi Dukuno  
**ACTING AUDITOR-GENERAL**



Encl.

## The Office of the Auditor-General – Republic of Fiji

The Office of the Auditor-General is established as an Independent Office by the Constitution of the Republic of Fiji. Its roles and responsibilities include the audit of the accounts of the Consolidated Fund and whole of Government financial statements and annual appropriation statement required to be included in the whole of Government annual report for a financial year under the *Financial Management Act 2004*. The audit extends to the accounts of all money received or held by a State entity, whether or not for purposes of Government. These audits are carried out by the Auditor-General on behalf of Parliament.

At least once every year, the Auditor-General must report to Parliament on the audits conducted and on *other significant matters* the Auditor-General wishes to bring to the attention of Parliament. This report satisfies these requirements.

As a result of its mandate, the Office of the Auditor-General has a distinctive view of the entire public sector of matters affecting financial and non-financial performance. We use this perspective to achieve our vision of Promoting Public Sector Accountability and Sustainability through our audits by providing comprehensive analysis and value-adding recommendations.

The Office of the Auditor-General notes the impact of its reports to Parliament on the ordinary citizens and strives for accuracy and high quality reporting including recommendations which are not only value-adding to the entity subject to audit but its customers, the general public as well.

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## AUDITOR-GENERAL'S FOREWORD



I am pleased to present the 2022 report on the Economic Services Sector.

With effect from 24 February 2022, I took up the acting appointment of the Auditor General. Over this period, I brought upon strategies to update the audits of Government Ministries and Department. I am pleased to advise that there has been significant progress in enabling the tabling of the 2022 reports for Economic Services Sector to Parliament.

Permanent Secretaries and those charged with governance of the agencies under the Economic Services Sector, are responsible for the preparation and fair presentation of the financial statements in accordance with requirements of Finance Management Act 2004 and Finance Instructions 2010.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error, selecting appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

It is important to note that the deficiencies highlighted in this report were identified during our audit and may have been subsequently resolved. These have been included in this report as they impacted on the overall system of control of the Ministries and Departments as at 31 July 2022.

### Report

This report contains summaries and my analysis of the audit findings, the quality and timeliness of financial reporting, the audit opinions issued on the financial statements and the key reasons for such opinions, internal control assessments, other significant issues identified from the audits and high-level recommendations aimed to strengthen financial reporting, governance and internal controls by the Economic Services Sector.

The issues discussed in this report require the prompt action by Permanent Secretaries to improve their financial accountability. On the same note, I would like to commend the entities that have already made efforts to improve their financial reporting, governance, and internal controls.

I hope my reports to Parliament are a catalyst for change in public sector. While I believe that real change required the resolve and action of public sector entities themselves through continuous learning and development. I hope that these entities recognize the value of audit, welcome the scrutiny to act upon my recommendations to foster a culture of change and continuous improvement.

I would also like to acknowledge the assistance and cooperation rendered to my Office by these entities throughout the audit process.

A handwritten signature in black ink, appearing to read 'Sairusi'.

**Sairusi Dukuno**

**ACTING AUDITOR-GENERAL**

**Date: 17 November 2023**

## 1.0 SECTOR SUMMARY

This report includes the audit for agencies under the Economic Services sector, namely:

Head 30	Ministry of Agriculture
Head 31	Ministry of Fisheries
Head 32	Ministry of Forests
Head 33	Ministry of Lands and Mineral Resources
Head 34	Ministry of Commerce, Trade, Tourism and Transport
Head 35	Ministry of Sugar Industry
Head 37	Ministry of Local Government

### Results of our Audits - Quality and Timeliness of Financial statements

Of the seven agencies reported in this report, the audit resulted in the Auditor-General issuing unmodified audit opinion on all seven agencies. The details are contained in [Section 2.0](#).

The submission of acceptable draft financial statements for audit has improved.



## 2.0 AUDIT OPINION RESULTS

The main outcome of the audits are the independent auditor's reports on the agency financial statements that were produced and submitted to the Auditor-General.

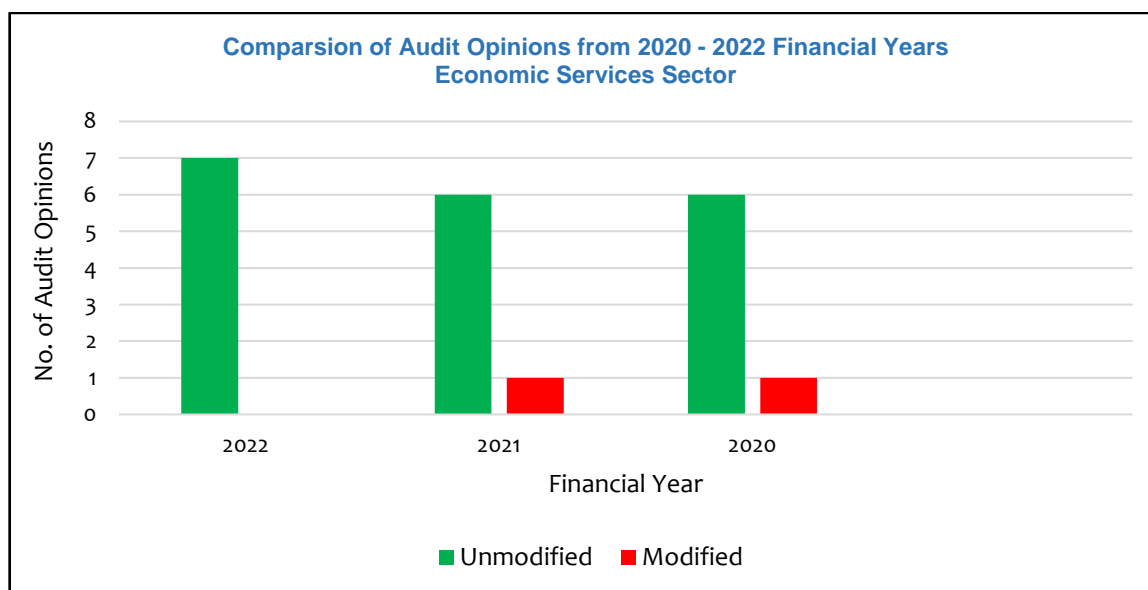
Comparatively, for the 2022 financial year, the quality of the agency financial statements for the agencies under the Economic Services Sector has improved. This indicates that significant matters reported in the independent auditor's report were given adequate attention and as a result they were resolved during the financial year.

In addition, all seven agencies were issued with an unmodified audit opinion.

The following table presents a comparison of the results of our audit for last three financial years for Ministries and Departments under the Economic Services Sector.

Ministry/Department	2021-2022 Financial Year		2020-2021 Financial Year	2019-2020 Financial Year
	Date Audit Report Signed	Audit Opinion Type	Audit Opinion Type	Audit Opinion Type
30. Ministry of Agriculture	25/04/23	Unmodified	Unmodified	Unmodified
31. Ministry of Fisheries	20/02/23	Unmodified	Unmodified	Unmodified
32. Ministry of Forests	30/01/23	Unmodified	Unmodified	Unmodified
33. Ministry of Lands and Mineral Resources	02/06/23	Unmodified	Modified	Modified
34. Ministry of Commerce, Trade, Tourism and Transport	17/04/23	Unmodified	Unmodified	Unmodified
35. Ministry of Sugar Industry	20/02/23	Unmodified	Unmodified	Unmodified
37. Ministry of Local Government	01/06/23	Unmodified	Unmodified	Unmodified

The graphical presentation below provides a comparison of the results of our audits for last three financial years for Ministries and Departments under the Economic Services Sector.





In accordance with International Standards on Auditing, I express an unmodified opinion (unqualified) when the financial statements are prepared in accordance with the Financial Management Act 2004, Finance Instructions 2010 and with relevant legislative requirements.

This type of opinion indicates that the financial statements are free from material misstatements, individually or in aggregate.

I issue a *modified opinion* (qualified) when having obtained sufficient appropriate audit evidence, we conclude that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or we are unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

An **Emphasis of Matter** paragraph is included in the auditor's report to highlight an issue that will help the user better understand the financial statements. And an **Other Matter** paragraph highlights a matter that is relevant to users' understanding of the audit report.

The reporting framework on which the agency financial statements of Ministries and Departments are prepared are based on the Financial Management Act 2004 and Finance Instructions 2010.

### 3.0 ASSESSMENT OF FINANCIAL GOVERNANCE

This section evaluates the effectiveness of the internal controls maintained by the seven Ministries and Departments.

Internal controls are processes designed and implemented by Permanent Secretaries and Heads of Departments of Ministries and Departments to provide reasonable assurance about the achievement of a Ministry or Department's objectives with regard to reliability of financial reporting effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The term "control" refers to any aspects of one or more components of internal control.

Permanent Secretaries and Heads of Departments of Ministries and Departments are responsible for the preparation of the financial statements in accordance with the Financial Management Act 2004 and Finance Instructions 2010, and for such internal control as they determine is necessary to enable preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Internal control issues noted during our audit are reported to the Permanent Secretary or Head of Department of Ministries and Departments.

Our overall assessment of the financial governance of the agencies reported under the Economic Services Sector indicate that there are room for improvement around internal control, the financial statement preparing processes and responses to the Office of the Auditor-General. Details of our assessment is provided under [section 4.0 – Results Summary Financial Governance](#).

#### 3.1 Internal control framework

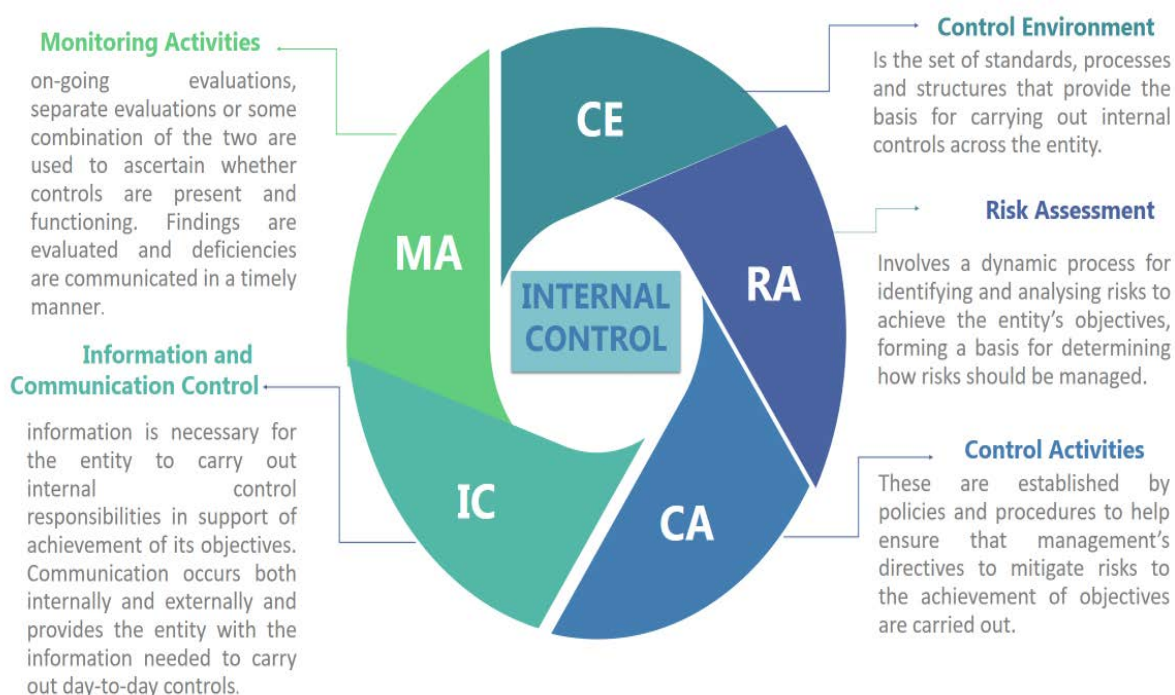
During our audit, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, I also test the operating effectiveness to ensure the internal controls are functioning as designed.

A *deficiency* occurs when internal controls are unable to prevent, detect or correct errors in the financial statements or where controls are missing.

A *significant deficiency* is a deficiency that either alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

#### 3.2 Internal Controls

Internal controls are categorised against the following five components of internal control.



### 3.3 Preparation of Draft Agency Financial Statements

On 29 April 2022, Permanent Secretary for Finance issued Circular No. 06/2021-2022 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2022 accounts and times were detailed.

- Cancellation of unprocessed purchase orders by 18 July 2022
- Retirement of Imprest by 15 July 2022
- Processing of payments by 28 July 2022
- Clearance of stale cheques by 5 August 2022
- Closing date for journal adjustments by 8 August 2022
- Processing of virement by 19 July 2022
- Completion of reconciliation by 26 August 2022
- Clearance of Interdepartmental clearance accounts by 5 August 2022
- Annual Board of Survey on Drawings accounts cheques by 26 August 2022
- Submission of Arrears of Revenue Return by 26 August 2022

When Ministries and Departments achieve the key focus areas highlighted by the Permanent Secretary for Finance by the given dates, they are more likely to prepare accurate and timely draft financial statements for audit.

Rating	Year-end close process assessment
Effective	All 10 key processes completed by due date
Generally effective	Five of 10 key processes completed within two weeks of due date
Ineffective	Less than five of 10 key processes completed within two weeks of due date

### 3.4 Quality of Draft Financial Statements by Entities

The extent of audit adjustments made to draft financial statements indicates the effectiveness of an entity's internal review processes before the accounts are submitted for audit.

We assessed the quality of financial statements by the impact these adjustments had on the total expenditures, operating results or net assets of the entity subject to our audit.

Rating	Quality of draft financial statements assessment
● Effective	No adjustments were required
● Generally effective	Adjustments on total expenditure, operating results/net assets were less than one percent
● Ineffective	Adjustments on total expenditure, operating results/net assets were more than one percent

### 3.5 Timeliness of Draft Financial Statements for Entities

To assess the timeliness of acceptable draft financial statements, we have compared the date the draft financial statements were due and the date it was received.

Rating	Timeliness of draft financial statements assessment
● Effective	Acceptable draft financial statements received before or on 15 October 2022.
● Generally effective	Acceptable draft financial statements received on or before 31 October 2022.
● Ineffective	Acceptable draft financial statements received after 31 October 2022.

### 3.6 Timeliness of provision of management comments and signing of financial Statements

To assess the timeliness of provision of management comments and signing of financial statements, we have compared the date the draft management letter and audited financial statements were issued to the entities and the date the management comments and the signed accounts were received.

Rating	Timeliness of Management Comments Received
● Effective	Within 14 days from the issue of Draft Management Letter
● Generally Effective	Within 21 days from the issue of Draft Management Letter
● Ineffective	After 21 days from the issue of Draft Management Letter
Rating	Timeliness of Signed Financial Statements Received
● Effective	Within 5 days from the issue of Financial Statements for signing
● Generally Effective	Within 15 days from the issue of Financial Statements for signing
● Ineffective	After 15 days from the issue of Financial Statements for signing

## 4.0 RESULT SUMMARY – FINANCIAL GOVERNANCE

The following table comparatively summarises our assessment of controls, the financial statement preparing processes and responses to the Office of the Auditor-General across the Ministries and Departments in the Economic Services Sector for financial years 2020-2022 which were subject to our audit.

Ministry or Department	Internal controls												Financial Statement Preparation						Responses to OAG											
	CE			RA			CA			IC			MA			T			YE			Q			MC			SFS		
Financial Year	'22	'21	'20	'22	'21	'20	'22	'21	'20	'22	'21	'20	'22	'21	'20	'22	'21	'20	'22	'21	'20	'22	'21	'20	'22	'21	'20	'22	'21	'20
Economic Services Sector																														
30. Ministry of Agriculture	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
31. Ministry of Fisheries	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
32. Ministry of Forests	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
33. Ministry of Lands and Mineral Resources	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
34. Ministry of Commerce, Trade, Tourism and Transport	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
35. Ministry of Sugar	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
37. Ministry of Local Government	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢

'20 = 2020      '21 = 2021      '22 = 2022

CE=Control Environment

RA=Risk Assessment

Q=Quality of draft financial statements

IC=Information and Communication Control

CA=Control Activities

YE= Year-end close processes

T=Timeliness of draft financial statements

MA=Monitoring Activities

MC=Management Comments provided

SFS=Signed Audited financial statements returned

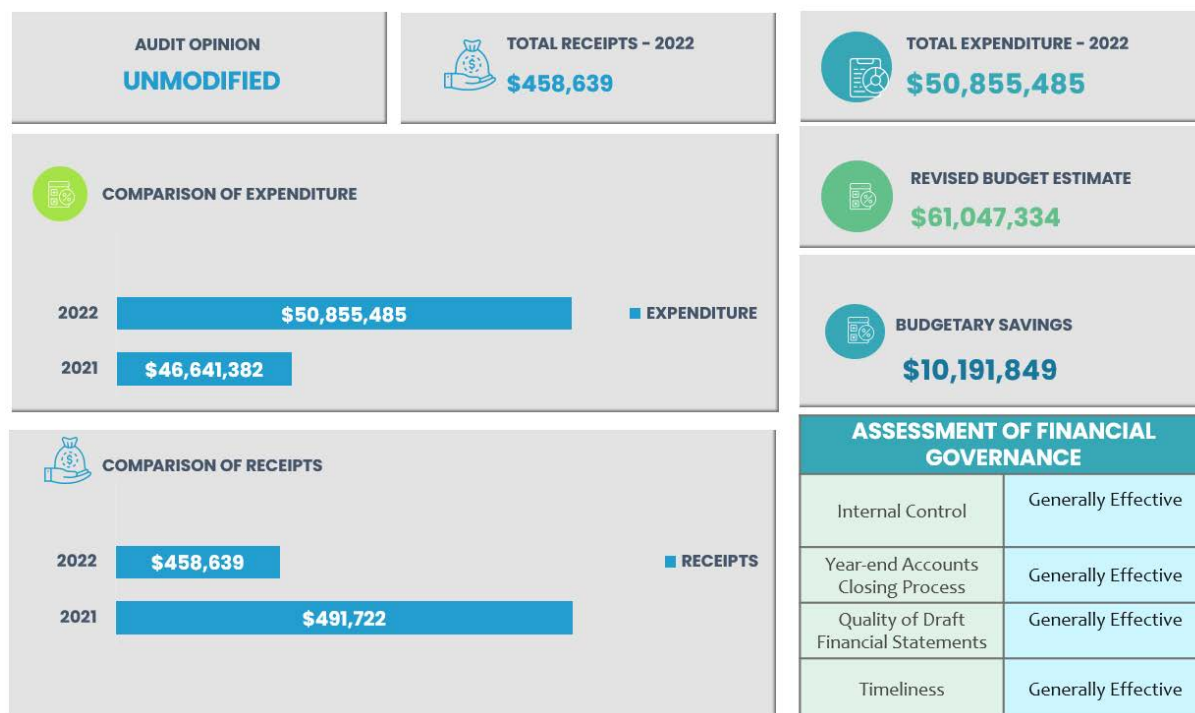
**Section 30****Ministry of Agriculture****Roles and Responsibilities**

The Ministry of Agriculture will ensure food and income security and sustainable livelihood for all Fijians, focusing on building community resilience. The emphasis will be towards growing the sector through enhancement of Commercial Agriculture whilst achieving sustainable food security through extensive agriculture services.

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## PART A: FINANCIAL INFORMATION



### 30.1 Audit Opinion

The audit of the 2022 accounts of the Ministry of Agriculture resulted in an unmodified audit opinion.

### 30.2 Appropriation Statement

The Ministry collected revenue totalling \$458,639 in 2022 and incurred expenditure totalling \$50.9 million against a revised budget of \$61 million resulting in savings of \$10.1 million or 17%.

Details of expenditure against the revised budget are provided in Table 30.1.

**Table 30.1: Appropriation Statement for 2022**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	12,603,207	-	12,603,207	11,398,729	1,204,478
2	Government Wage Earners	3,771,862	-	3,771,862	3,438,688	333,174
3	Travel & Communication	583,000	90,998	673,998	669,538	4,460
4	Maintenance & Operations	1,678,400	(505)	1,677,895	1,651,301	26,594
5	Purchase of Goods & Services	515,903	(76,713)	439,190	433,363	5,827



SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating Grants & Transfers	2,980,524	(24,730)	2,955,794	2,839,592	116,202
7	Special expenditure	7,102,706	10,950	7,113,656	4,852,090	2,261,566
	<b>Total Operating Costs</b>	<b>29,235,602</b>	<b>-</b>	<b>29,235,602</b>	<b>25,283,301</b>	<b>3,952,301</b>
8	Capital Construction	15,376,653	-	15,376,653	11,826,998	3,549,655
9	Capital Purchase	1,277,045	-	1,277,045	1,122,628	154,417
10	Capital Grants & Transfers	12,770,000	-	12,770,000	11,105,934	1,664,066
	<b>Total Capital Expenditure</b>	<b>29,423,698</b>	<b>-</b>	<b>29,423,698</b>	<b>24,055,560</b>	<b>5,368,138</b>
13	Value Added Tax	2,388,034	-	2,388,034	1,516,624	871,410
	<b>TOTAL</b>	<b>61,047,334</b>	<b>-</b>	<b>61,047,334</b>	<b>50,855,485</b>	<b>10,191,849</b>

The savings of \$1,537,652 under payroll resulted from the delay in the Ministry to fill vacant positions and high staff turnover during the year.

The savings of \$7,629,704 under special and capital expenditures is due to the delay in the implementation of programs which arises from the delay in the supply of raw materials from suppliers.

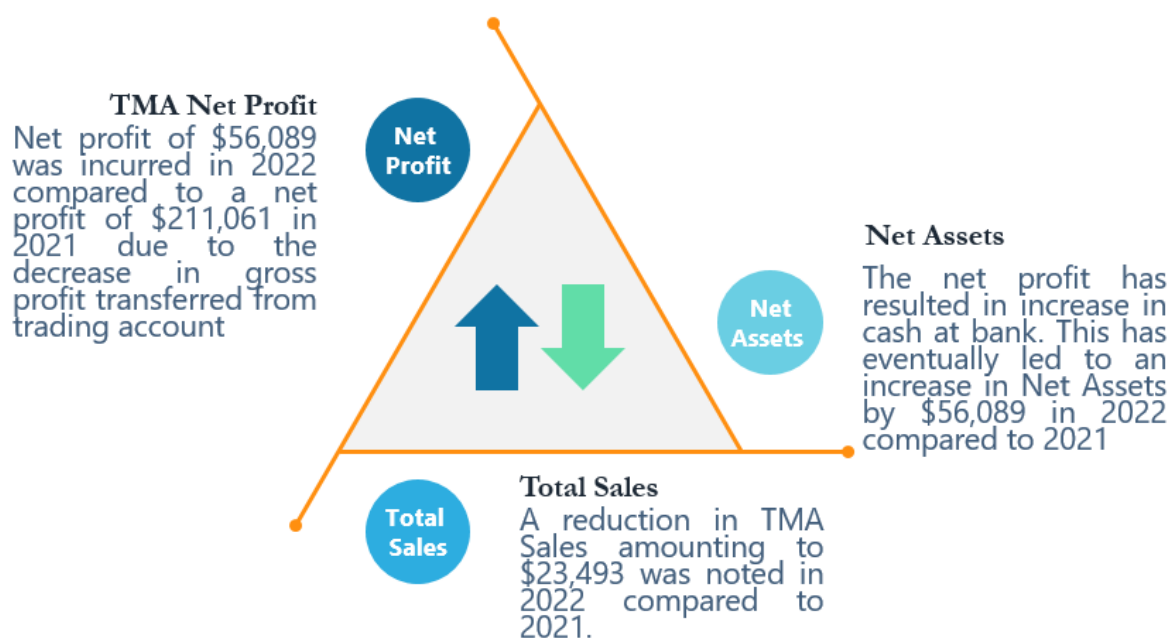
### 30.3 Trading and Manufacturing Account

The Trading and Manufacturing account (TMA) records livestock, fuel and oil. The service of the TMA is provided through livestock extension offices, veterinary clinics, research stations and fuel and oil are provided through the crop extension offices.

The services include provision of recommended livestock genetic material, fencing material, tools, provision of veterinary services and advice to livestock stakeholders. It has also been used in the case of emergencies whereby destocking and transferring of animal to address animal welfare issues during disasters. The machinery hires within the crop extension division include hiring of government owned machines such as tractors, diggers, and rice harvesters for farmers at a rate of \$28/hour.

The Trading and Manufacturing Account operates as a revolving fund and has a ceiling of \$200,000 yearly (\$120,000 for the livestock operation and \$80,000.00 for fuel and oil for crop extension).

The financial analysis of TMA for the year ended 31 July 2022 is provided below. Detailed Statements for the TMA are provided in Appendix 30.1.



## PART B: OTHER SIGNIFICANT MATTERS

The Audit Act 1969 requires, amongst other things, that the Auditor-General must report on other significant matters which the Auditor-General wishes to bring to the attention of Parliament.

Other significant matters highlighted in this report, include control weaknesses which *could cause* or *is causing* severe disruption to the process or on the ability of an auditee to achieve process objectives and comply with relevant legislation.

It is likely that these issues may have an impact on the operations of the Ministry in future, if necessary, action is not taken to address them.

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2022.

### 30.4 Errors in the Draft Agency Financial Statement (AFS) submitted to audit.

The financial statements must be prepared in accordance with the format specified in Schedule 1 of the Finance Instructions and audited by the Auditor General.<sup>1</sup>

Audit review of the Ministry's draft Agency Financial Statement for 2022 that was submitted to audit revealed the following errors:

#### 1) Errors in Trading, Profit & Loss & Balance Sheet Account for Trading & Manufacturing Account (TMA)

- The balances and the financial years reported in all three statements relate to the years 2020 and 2021.
- The total value of stock (opening stock plus purchases) in store during the period that was presented in the Trading account was incorrect.
- The total expenditure in the Profit & Loss account was incorrect thus resulting in incorrect net profit reported.

#### 2) Errors in Statement of Losses

- The total loss of asset comparative (2021) amounts recorded does not reconcile with audited 2021 Agency Financial Statement balances.
- The total loss of asset amounts for the current year (2022) was incorrect.

### **Recommendations**

- **The Ministry to ensure that the draft Agency Financial Statement submitted for audit is prepared in a proper manner, vigorously checked and is accurate.**

---

<sup>1</sup> Ministry of Agriculture Finance Manual 2017 Section 18.2.3

- **The Ministry should strengthen its dedication and commitment towards its financial statement preparation process given the importance of the process in public financial management.**

#### **Ministry's Comments**

*The audit comment is noted. The Ministry will ensure that future AFS submitted to audit are thoroughly checked, verified and accurate in line with financial reports requirement.*

### **30.5 Delay in implementation of Small Farming Equipment Program**

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.<sup>2</sup>

On 20/11/21, the National Steering Committee for Commercial Agriculture Development Program (CADP) approved the following:

- The selection of 82 farmers who will be assisted through the procurement of small farming equipment totalling \$761,000.
- The program will be funded from the Rural & Outer Island (ROI) Program.

During the audit, 16 farmers assisted under this program in the Central division were visited for site inspection on 18/01/23 and 19/01/23. The following was noted from the inspection:

- Four out of the 16 farmers selected for verification have received the small farming equipment. The remaining 12 farmers are yet to receive assistance at the date of audit inspection.
- The detailed information of recipients under this initiative was not available with the locality officers as they were not part of the process from the receiving of applications to the selection of recipients.

#### **Recommendations**

- **The Ministry should consider applicants with proven ability to pay the 1/3 farmers contribution to be eligible for selection.**
- **The Ministry to consider involving the locality officers in initiatives where this is necessary for better implementation and monitoring.**

#### **Ministry's Comments**

*Field verification and regional managers are now involved in the final selection of applicants from respective province. However, the Ministry still view that this is something beyond its control as all farmers were given a chance to apply. Also, the Ministry is having discussion with FDB on assisting small farmers with the provisions of small loans.*

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<sup>2</sup> Ministry of Agriculture Finance Manual 2017 Part 2: Expenditure – Introductory Statement

### 30.6 Hydroponic System

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.<sup>3</sup>

On 20/11/21, the National Steering Committee for Commercial Agriculture Development Program (CADP) approved the following:

- The selection of 20 farmers who will be assisted through the procurement of hydroponic system totalling \$110,000.
- The program will be funded from the Sigatoka Valley Development Program (SVDP).

During the audit, five farmers assisted under this program in the Central division were visited for site inspection on 18/01/23. The following was noted from the inspection:

- All recipients are yet to be provided with the covering (Cylon) of the Hydroponic System structure. According to the Ministry, the item was on its way to Fiji.
- One out of the five farmers inspected has fully installed and implemented the Hydroponic System and is currently engaged in Hydroponic farming. This was possible as the farm was used for demonstration when the training on how to operate the Hydroponic System was conducted. The training included installation to implementation of Hydroponic System. Apart from this farmer, three recipients are at installation phase and one recipient is yet to start installation process.
- The detail information of recipients under this initiative was not available with the locality officers as they were not part of the process from the receiving of applications to the selection of recipients.

It was also noted that the expenditure incurred for this program was charged to Rural & Outer Island (ROI) program (1-30202-30201-100140) instead of the approved Sigatoka Valley Development Program (SVDP) allocation. Refer to Table 30.2 below for payment details.

**Table 30.2: Payment of Hydroponic System**

Date	Cheque / EFT No.	Amount (\$)
29/6/2022	95745	256,368

#### **Recommendations**

- **The Ministry should properly scrutinize its supplier selection process to ensure that the selected suppliers can supply the required level of materials at the required time.**
- **The Ministry to consider involving the locality officers in initiatives where this is necessary for better implementation and monitoring.**

<sup>3</sup> Ministry of Agriculture Finance Manual 2017 Part 2: Expenditure – Introductory Statement

### **Ministry's Comments**

*The audit comment is noted. The Ministry did call for an open tender board - reference no. RFT 71/2021. The Ministry agreed with audit findings. In its effort to improve on this issue, the Ministry has developed an SOP which ensures the involvement of locality officers from selection of farmers right to the implementation and monitoring stage. Locality officers are also part of the divisional technical committee.*

## **30.7 Protected Agriculture**

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.<sup>4</sup>

On 20/11/21, the National Steering Committee for Commercial Agriculture Development Program (CADP) approved the following:

- The selection of 18 farmers who will be assisted through the procurement of protective farming equipment totalling \$198,000.
- The program will be funded as follows: 50% of the applicants will be funded from the Food Security Program (FSP) while the remaining 50% will be funded from the Export Promotion Program (EPP).

During the audit, five farmers assisted under this program in the Central division were visited for site inspection on 18/01/23. The following was noted from the inspection:

- All items have been delivered to the farmers, however, as at the date of inspection, two out of the five recipients inspected have yet to commence with the project while the remaining three recipients' projects are in progress.
- In certain instances, steel frames of the protective farm structure were stored outside in the open exposed to the different weather conditions.
- The detail information of recipients under this initiative was not available with the locality officers as they were not part of the process from the receiving of applications to the selection of recipients.

### **Recommendations**

- **The Ministry should strengthen its effort and dedication towards ensuring that programs are implemented in a timely manner. This will greatly assist in reducing loss of public funds through waste and increasing the opportunity of deriving the maximum return from the initiative.**
- **The Ministry to consider involving the locality officers in initiatives where this is necessary for better implementation and monitoring.**

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<sup>4</sup> Ministry of Agriculture Finance Manual 2017 Part 2: Expenditure – Introductory Statement

**Ministry's Comments**

*The Ministry agreed with audit findings. In its effort to improve on this issue, the Ministry has developed an SOP which ensures the involvement of locality officers from selection of farmers right to the implementation and monitoring stage. Locality officers are also part of the divisional technical committee.*

**30.8 Establishment of Brucellosis Free Farms Program**

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.<sup>5</sup>

The Ministry incurred expenditure totaling \$69,724.75 under this program to procure 4,900 pine post (1.8 x 100mm) for securing of boundary fencing for 25 approved small holders' farms. Refer to Table 30.3 below for payment details.

**Table 30.3: Payment of Pine Posts**

Date	Cheque / EFT No.	Amount (\$)
09/06/2022	95153	69,725

During the audit, 20 farmers assisted under this program in the Central division were visited for site inspection on 19/01/23. The following was noted from the inspection:

- 18 out of the 20 farmers selected for site inspection has received pine post to secure their boundaries. The remaining two farmers has received only partial assistance as they are yet to receive the balance of pine post.
- One recipient was not able to use the supplied pine post as it has rotten.
- Two recipients raised concerns on the quality of pine posts provided under this program. According to them, pine posts were not treated and had a very short life span. It was also noted that in these two farms the pine posts were kept outside in the open exposed to the different weather conditions.

**Recommendations**

- **The Ministry should ensure that the outstanding number of pine posts that needs to be delivered are provided to recipient as soon as stocks are available.**
- **The Ministry should consider reviewing the quality of items that are supplied through its assistance to ensure that value for money is obtained.**

**Ministry's Comments**

*The audit comment is noted. All pending pine post has been delivered to recipients. Suppliers of pine post were selected through the Government Tender Board process and the Ministry have the agreement with the supplier that is, if quality of pine posts are inferior, they are to be replaced with no cost involved.*

<sup>5</sup> Ministry of Agriculture Finance Manual 2017 Part 2: Expenditure – Introductory Statement



### **30.9 Involvement of Locality Officers in Agriculture Initiatives/Programs**

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.<sup>6</sup>

Audit noted the following in some of the Agriculture Initiatives/Programs implemented by the Ministry:

- Part of the requirement process was for farmers applications for assistance to be made directly to the Ministry's Head Quarters without the involvement of locality officers.
- The locality officers to be consulted after verification from Head Quarters instead of involving them in the first instance to assess the applications which in audit view was more economical as they have a good understanding of the farmers.

#### **Recommendation**

**The Ministry should review the process followed for implementation of Agriculture initiatives/programs and consider involving the locality officers in the process of application, verification and selection of applicants.**

#### **Ministry's Comments**

*The audit comment is noted. The Ministry agreed with audit findings. In its effort to improve on this issue, the Ministry has developed an SOP which ensures the involvement of locality officers from selection of farmers right to the implementation and monitoring stage. Locality officers are also part of the divisional technical committee.*

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<sup>6</sup> Ministry of Agriculture Finance Manual 2017 Part 2: Expenditure – Introductory Statement

## PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

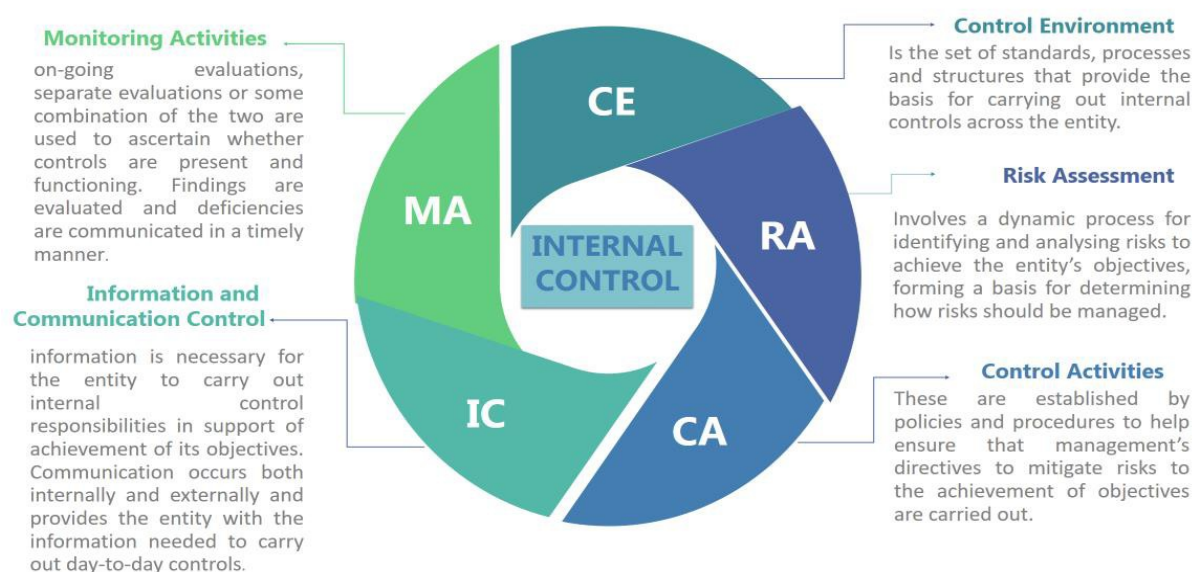
### 30.10 Internal Controls

During our audits, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect, and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

A *deficiency* occurs when internal controls are unable to prevent, detect or correct errors in the financial statements or where controls are missing.

A *significant deficiency* is a deficiency that either alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

Internal controls are categorized against the following five components of internal control.



A summary of assessment of key controls based on our audit was as follows:

Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
☀ Generally effective	☀ Generally effective	☀ Generally effective	☀ Generally effective	☀ Generally effective

In view of the above, we have assessed the internal controls of the Ministry as:

Rating	Internal control assessment
☀ Generally effective	Some deficiencies identified in internal controls.

### 30.11 Submission of FY 2021-2022 Draft Agency Financial Statements

On 29 April 2022, Permanent Secretary for Finance issued Circular No. 06/2021-2022 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2022 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 08 August 2022	✗	Cancellation of unprocessed purchase orders by 18 July 2022	✓
Clearance of Inter-departmental clearance accounts by 05 August 2022	✓	Processing of payments by 28 July 2022	✓
Clearance of stale cheques by 05 August 2022	✓	Processing of virement by 19 August 2022	✓
Annual Board of Survey on Drawings Account cheques by 26 August 2022	✓	Completion of reconciliations by 26 August 2022	✓
Retirement of imprests by 15 July 2022	✓	Submission of arrears of revenue returns by 26 August 2022	✓

When Ministries and Departments achieve the key focus areas highlighted by the Permanent Secretary for Finance by the given dates, they are more likely to prepare accurate and timely draft financial statements for audit.

Based on information received, we have assessed the year-end close process as:

Rating	Year-end close process assessment
☀ Generally Effective	9 out of 10 key processes completed within two weeks of due date.

### 30.12 Quality of Draft Financial Statements by entities

The extent of audit adjustments made to draft financial statements indicates the effectiveness of an entity's internal review processes before the accounts are submitted for audit.

We assessed the quality of financial statements by the impact these adjustments had on the operating results or net assets of the entity subject to our audit. Our assessment for the Ministry was:

Rating	Quality of draft financial statements assessment
☀ Generally Effective	No adjustments were required, however, there were errors in the draft financial statements which require amendments during the audit.

### 30.13 Timeliness of draft financial statements

To assess the timeliness of acceptable draft financial statements, we have compared the date the draft financial statements were due and the date it was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of draft financial statements assessment
☀ Generally Effective	Acceptable draft financial statements received on or before 31 October 2022.

### 30.14 Timeliness of Provision of Management Comments and Signing of Financial Statements

To assess the timeliness of provision of management comments and signing of financial statements, we have compared the date the draft management letter and audited financial statements were issued to entity and the date management comments and signed accounts were received.

Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
☐ Generally Effective	Within 21 days from the issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
☐ Generally Effective	Within 15 days from the issue of Financial Statements for signing

**APPENDIX 30.1: DETAILED STATEMENT OF TRADING AND MANUFACTURING ACCOUNT****Consolidated Trading Account – Commercial Undertaking**

Description	31 July 2022 (\$)	31 July 2021 (\$)
Sales	705,633	729,126
Opening Stock	536,365	463,985
Add: Purchases	450,735	316,992
<b>Goods Available for Sale</b>	<b>987,100</b>	<b>780,977</b>
Less: Closing Stock	463,150	536,365
<b>Cost of Goods Sold</b>	<b>523,950</b>	<b>244,612</b>
<b>Gross Profit</b>	<b>181,683</b>	<b>484,514</b>

**Consolidated Profit and Loss Account – Commercial Undertaking**

Description	31 July 2022 (\$)	31 July 2021 (\$)
<b>Income</b>		
Gross Profit Transferred from Trading Account	181,683	484,514
<b>Total Income</b>	<b>181,683</b>	<b>484,514</b>
<b>Expenses</b>		
Travelling & Communication Expenses	8,927	8,003
Maintenance and Operation	102,931	239,456
Purchase of goods & services	13,736	25,994
<b>Total Expenses</b>	<b>125,594</b>	<b>273,453</b>
<b>Net Profit</b>	<b>56,089</b>	<b>211,061</b>

**Consolidated Balance Sheet – Commercial Undertaking**

Description	31 July 2022 (\$)	31 July 2021 (\$)
<b>Equity</b>		
<b>TMA Surplus</b>		
Opening balance	(889,010)	(889,010)
<b>Closing Balance</b>	<b>(889,010)</b>	<b>(889,010)</b>
<b>TMA Accumulated Surplus</b>		
Opening balance	1,585,073	1,374,012
Net Profit	56,089	211,061
<b>Closing Balance</b>	<b>1,641,162</b>	<b>1,585,073</b>
<b>Total Equity</b>	<b>752,152</b>	<b>696,063</b>
<b>Assets</b>		
Cash at Bank	288,263	158,959
Accounts Receivable	739	739
Inventory	463,150	536,365
<b>Total Assets</b>	<b>752,152</b>	<b>696,063</b>
<b>Liabilities</b>		
<b>Total Liabilities</b>	<b>---</b>	<b>----</b>
<b>Net Assets</b>	<b>752,152</b>	<b>696,063</b>

## Section 31 Ministry of Fisheries

### Roles and Responsibilities

The Ministry of Fisheries is mandated to lead the whole-of-nation approach towards sustainably managing Fiji's fisheries resources. It does this through increasing collaboration with the various stakeholders from the subsistence fisher in the remote islands, rural villages and informal settlements to the inshore and offshore commercial fishers, among others. The underlying philosophy is to sustainably manage this marine resource to support food security and economic growth whilst also ensuring its sustainability for posterity. Given this setting, the Ministry will review and implement its strategies in three key fishery areas – offshore fisheries, coastal fisheries, and aquaculture, taking into account the unprecedented challenges brought on by the COVID-19 global pandemic and the on-going challenges caused by climate change, both of which provide a compelling need to operate under a new normal.

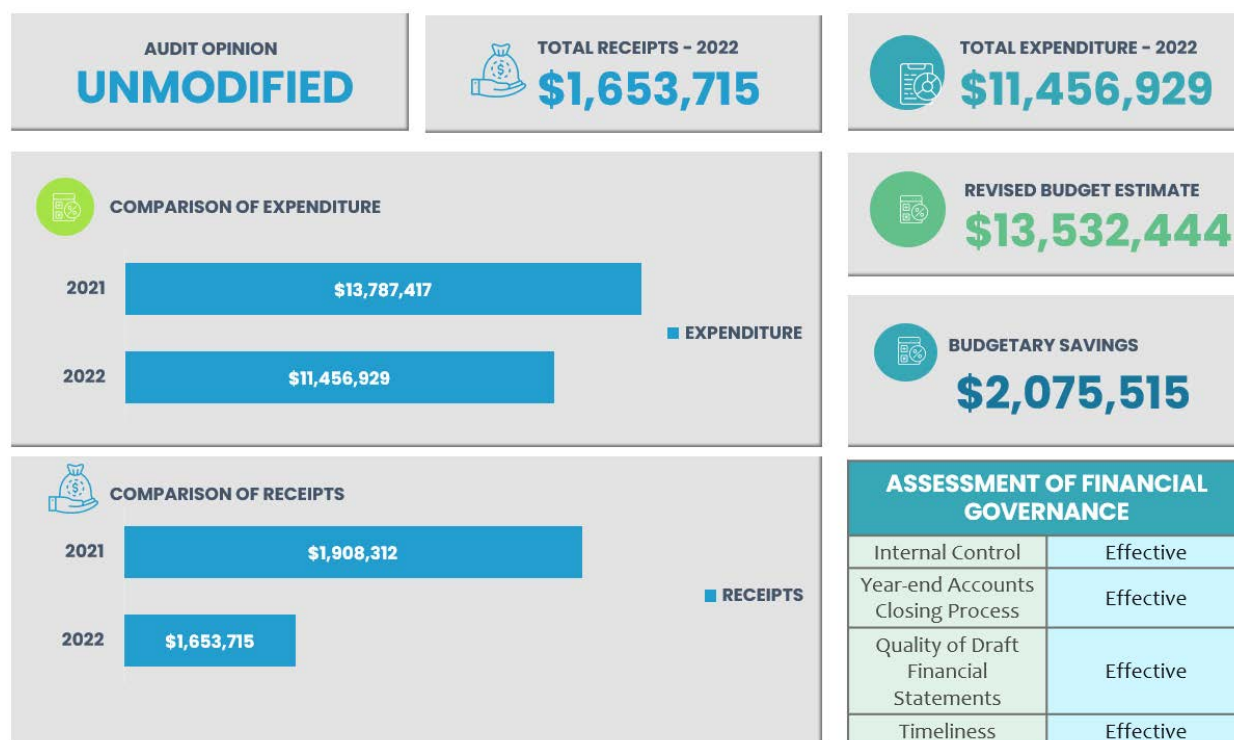
The Ministry will also develop fit for purpose legislative framework, enforce compliance, review the offshore and coastal licensing system, provide advisory and support services, and conduct appropriate research and marine conservation activities all of which will be aligned to Government's national priorities, and to Fiji's commitment to international conventions. The Ministry operates a nationwide service centre network ensuring quality and excellence which is embedded in the processes, service delivery and its people. This service centre network implements key programmes, projects, and activities, connecting the industry to the community and its development partners. It works diligently to balance the cultural significance of fishing and the economic development of the fisheries sector, while also ensuring that Fiji meets the national, regional, and international obligations to protecting marine resources.

The Ministry's efforts to achieving a sustainable blue economy remains steadfast. It will continue to incorporate climate resilience and adaptation efforts through practical and viable adaptation solutions – for the benefit of individual fisheries businesses, the sector, and the communities it serves. These efforts include combatting illegal, unreported and unregulated fishing, fisheries sector trade subsidies, maximizing resource rent, building Fiji's food security, harnessing the full potential of Fiji's aquaculture and inshore industries through import substitution and diversification, blue carbon trading, marine biodiversity conservation and disaster management.

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## PART A: FINANCIAL INFORMATION



### 31.1 Audit Opinion

The audit of the 2022 accounts of the Ministry of Fisheries resulted in an unmodified audit opinion.

### 31.2 Appropriation Statement

The Ministry collected revenue totalling \$1.6 million and incurred a total expenditure of \$11.4 million against a revised budget of \$13.5 million resulting in savings of \$2.1 million or 16%.

Details of expenditure against the revised budget are provided in Table 31.1.

**Table 31.1: Appropriation Statement for 2022**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	5,763,449	-	5,763,449	4,953,547	809,902
2	Government wage earners	1,547,774	-	1,547,774	1,397,680	150,094
3	Travel & communication	286,000	-	286,000	281,715	4,285
4	Maintenance & operations	1,466,450	-	1,466,450	1,425,231	41,219
5	Purchase of goods & services	106,519	-	106,519	90,791	15,728



SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grants & transfers	10,000	-	10,000	9,891	109
7	Special expenditure	651,756	-	651,756	480,672	171,084
	<b>Total Operating Expenditure</b>	<b>9,831,948</b>	<b>-</b>	<b>9,831,948</b>	<b>8,639,527</b>	<b>1,192,421</b>
8	Capital Construction	3,187,566	-	3,187,566	2,544,671	642,895
	<b>Total Capital Expenditure</b>	<b>3,187,566</b>	<b>-</b>	<b>3,187,566</b>	<b>2,544,671</b>	<b>642,895</b>
13	Value added tax	512,930	-	512,930	272,731	240,199
	<b>TOTAL</b>	<b>13,532,444</b>	<b>-</b>	<b>13,532,444</b>	<b>11,456,929</b>	<b>2,075,515</b>

The budget savings of \$2.1 million resulted mainly from savings in operating expenditure allocations. This was mainly due to staff turnover as it took time for the post to be filled, and non-implementations of the Electronic Monitoring System (EMS) project for the offshore fisheries management division.

### 31.3 Trust Fund Account

The True Trust Account was initially set-up to facilitate the Fisheries one third and two thirds subsidy scheme and was shared under the then Head 32 – Ministry of Fisheries and Forest prior to 01 August 2017. Even though the scheme has lapsed, the previous Ministry of Fisheries and Forests continued to operate the bank account to maintain performance bonds and retention monies for construction projects.

The Finance Management Information System (FMIS) for the Trust Fund Account continued to be reflected under Head 32 – Ministry of Forests.

There were no transactions recorded during the financial year 2022. Details of the statements of trust receipts and payments for 2022 are provided in Table 31.2 below.

Table 31.2: Statement of Receipts and Payments – 2022 FY

Description	2022 (\$)	2021 (\$)
<b>Opening balance</b>	<b>262,472</b>	<b>262,209</b>
<b>Receipts</b>		
Interest earned	218	263
<b>Total Receipts</b>	<b>218</b>	<b>263</b>
<b>Payments</b>		
Payments to CFA	262,690	-
<b>Total Payments</b>	<b>262,690</b>	<b>-</b>
<b>Closing balance</b>	<b>-</b>	<b>262,472</b>

The Ministry closed the Ministry of Fisheries True Trust Fund Account maintained at Westpac Bank Corporation as advised by Ministry of Finance in accordance with Act No. 13 of 2022 issued on 25/03/2022 on the transfer of long pending unclaimed money to Consolidated Fund Account (CFA). A total of \$262,690 was transferred from Ministry of Fisheries to Ministry of Finance for the financial year ended 31 July 2022.

## **PART B: OTHER SIGNIFICANT MATTERS**

The Audit Act 1969 requires, amongst other things, that the Auditor-General must report on other significant matters which the Auditor-General wishes to bring to the attention of Parliament.

There were no other significant matters identified during the audit of the 2022 financial year of the Ministry.

## PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

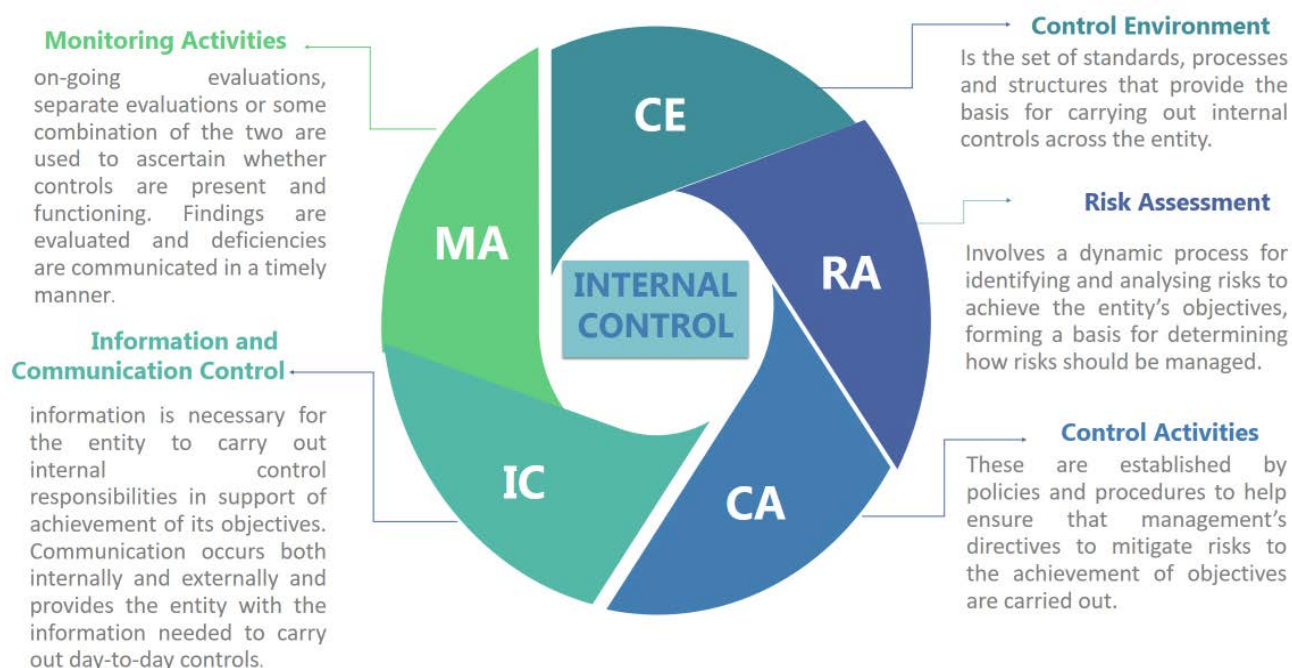
### 31.4 Internal Controls

During our audits, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

A *deficiency* occurs when internal controls are unable to prevent, detect or correct errors in the financial statements or where controls are missing.

A *significant deficiency* is a deficiency that either alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

Internal controls are categorized against the following five components of internal control.



A summary of assessment of key controls based on our audit was as follows:

Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
🌟	🌟	🌟	🌟	🌟

In view of the above, we have assessed the internal controls of the Ministry of Fisheries as:

Rating	Internal control assessment
🌟 Effective	No Deficiencies identified in internal controls.

### 31.5 Submission of Draft Agency Financial Statements

On 29 April 2022, Permanent Secretary for Finance issued Circular No. 06/2021-2022 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2022 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 06 August 2022	✓	Cancellation of unprocessed purchase orders by 18 July 2022	✓
Clearance of Inter-departmental clearance accounts by 29 July August 2022	✓	Processing of payments by 28 July 2022	✓
Clearance of stale cheques by 05 August 2022	✓	Processing of virement by 27 July 2022	✓
Annual Board of Survey on Drawings Account cheques by 26 August 2022	✓	Completion of reconciliations by 26 August 2022	✓
Retirement of imprests by 15 July 2022	✓	Submission of arrears of revenue returns by 26 August 2022	✓

When Ministries and Departments achieve the key focus areas highlighted by the Permanent Secretary for Finance by the given dates, they are more likely to prepare accurate and timely draft financial statements for audit.

Based on information received, we have assessed the 2021-2022 year-end closing process as:

Rating	Year-end close process assessment
★ Effective	All 10 key processes completed by due date.

### 31.6 Quality of Draft Financial Statements by Entities

The extent of audit adjustments made to draft financial statements indicates the effectiveness of an entity's internal review processes before the accounts are submitted for audit.

We assessed the quality of the 2022 financial statements by the impact these adjustments had on the operating results or net assets of the entity subject to our audit. Our assessment for the Ministry was:

Rating	Quality of draft financial statements assessment
★ Effective	No Adjustments were required

### 31.7 Timeliness of Draft Financial Statements

To assess the timeliness of acceptable draft financial statements, we have compared the date the draft financial statements were due and the date it was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of draft financial statements assessment
★ Generally Effective	Acceptable draft financial statements received on or before 31 October 2022.

### 31.8 Timeliness of Provision of Management Comments and Financial Statements for Signing

To assess the timeliness of provision of management comments and signing of financial statements, we have compared the date the draft management letter and audited financial statements were issued to entity and the date management comments and signed accounts were received.

Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
• Effective	Management response received within 14 days

Rating	Timeliness of Signed Financial Statements Received
• Effective	Within 5 days from the issue of Financial Statements for signing

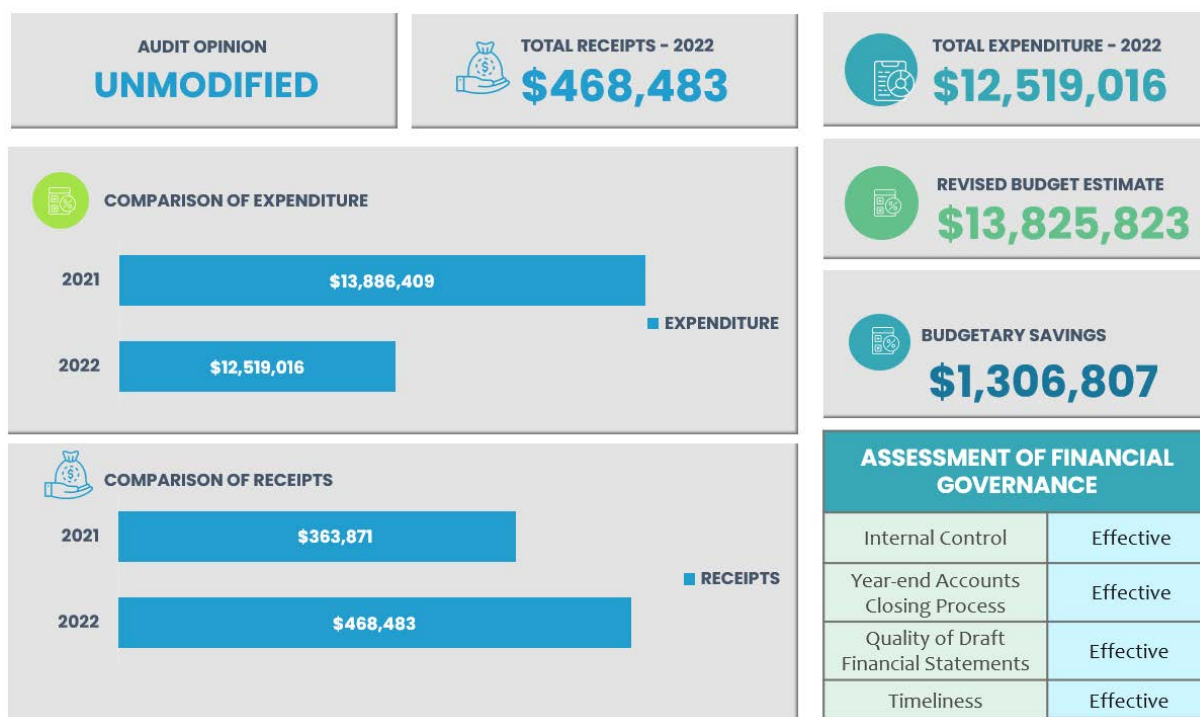
**Section 32****Ministry of Forestry****Roles and Responsibilities**

The Ministry of Forestry is responsible for the formulation of policies to ensure the long-term sustainability of Fiji's forest resources, stimulate economic growth within Forestry sector and improve livelihoods for communities that rely on these resources. The Ministry achieves this by ensuring a balance between resource utilization and resource conservation, and the development and alignment of its policies, strategies, and structures to better address emerging issues, capture emerging opportunities, ensure effective and efficient service delivery to all our stakeholders.

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## PART A: FINANCIAL INFORMATION



### 32.1 Audit Opinion

The audit of the 2022 accounts of the Ministry of Forestry resulted in an unmodified audit opinion.

### 32.2 Appropriation Statement

The Ministry collected revenue totalling \$468,483 in 2022 and incurred expenditure totalling \$12.5 million against a revised budget of \$13.8 million resulting in savings of \$1.3 million or 9%.

Details of expenditure against the revised budget are provided in Table 32.1.

**Table 32.1: Appropriation Statement for 2022**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	4,052,304	(102,113)	3,950,191	3,521,120	429,071
2	Government Wage Earners	1,291,869	39,810	1,331,679	1,218,748	112,931
3	Travel & Communication	286,075	406	286,481	281,403	5,078
4	Maintenance & Operations	941,026	3,317	944,343	941,071	3,272
5	Purchase of Goods & Services	607,833	(26,664)	581,169	580,168	1,001
6	Operating Grants & Transfers	798,102	(1,758)	796,344	792,759	3,585



SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
7	Special expenditure	2,219,382	87,002	2,306,384	2,244,435	61,949
	<b>Total Operating Costs</b>	<b>10,196,591</b>	<b>-</b>	<b>10,196,591</b>	<b>9,579,704</b>	<b>616,887</b>
8	Capital Construction	2,659,932	-	2,659,932	2,243,244	416,688
9	Capital Purchase	500,000	-	500,000	415,397	84,603
10	Capital Grants & Transfers	-	-	-	-	-
	<b>Total Capital Expenditure</b>	<b>3,159,932</b>	<b>-</b>	<b>3,159,932</b>	<b>2,658,641</b>	<b>501,291</b>
13	Value Added Tax	469,300	-	469,300	280,671	188,629
	<b>TOTAL</b>	<b>13,825,823</b>	<b>-</b>	<b>13,825,823</b>	<b>12,519,016</b>	<b>1,306,807</b>

There was savings in Payroll of \$542,002 due to the non-filling of 16 vacant positions amounting to \$397,569 and 6% as payment of FNPF.

There was savings in Capital Construction of \$416,688 due to the non-utilization of funds for Upgrading of Roads at TUD Nasinu amounting to \$300,000 that was given in the 4th Quarter revised budget. This was due to the shortage of time and scope of work and delays from companies to attend to the site and scope inspection. There was savings also in the Reforestation and Degraded Forests allocation as some of the government approved vendors failed to meet the standards requirements as outlined in the GTB Agreement in the purchase of seedlings.

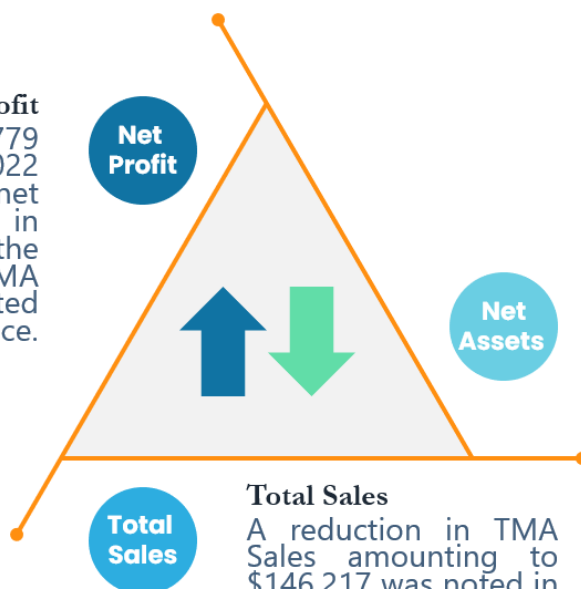
There was savings in Capital Purchase of \$84,603 due to the non-fulfilling of most of the activities in the Maritime Pine Capital Projects. Most of the activities in this project are carried out in the maritime areas and the delays in the shipping travel hindered the Ministry from achieving its deliverables.

### 32.3 Trading and Manufacturing Account

The Ministry of Forestry operates a TMA that helps in the processing and selling of pine products.

The financial analysis of TMA for the year ended 31 July 2022 is provided below. Detailed Statements for the TMA are provided in Appendix 32.1.

**TMA Net Profit**  
Net profit of \$39,779 was incurred in 2022 compared to a net profit of \$147,465 in 2021 due to the closure of TMA Operation as directed by Ministry of Finance.



**Net Assets**

Due to the closure of the TMA Operation, Net assets had a nil balance in 2022 compared to a net loss of (\$696,880) in 2021.

**Total Sales**

A reduction in TMA Sales amounting to \$146,217 was noted in 2022 compared to 2021.

## **PART B: OTHER SIGNIFICANT MATTERS**

The Audit Act 1969 requires, amongst other things, that the Auditor-General must report on other significant matters which the Auditor-General wishes to bring to the attention of Parliament.

There were no other significant matters identified during the audit of the 2022 financial year of the Ministry.

## PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

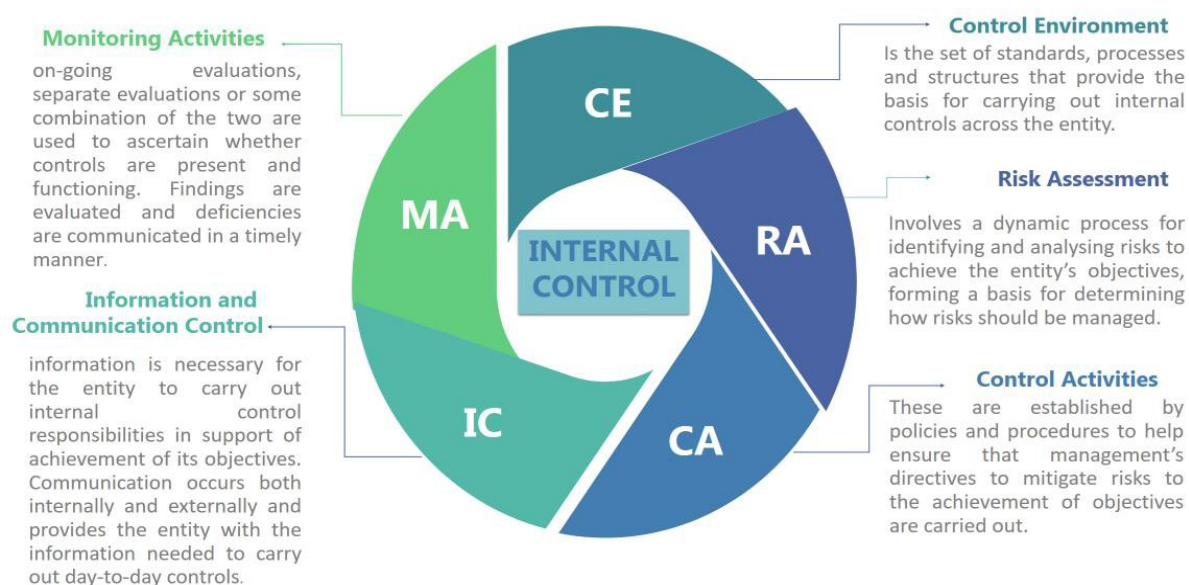
### 32.4 Internal Controls

During our audits, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect, and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

A *deficiency* occurs when internal controls are unable to prevent, detect or correct errors in the financial statements or where controls are missing.

A *significant deficiency* is a deficiency that either alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

Internal controls are categorized against the following five components of internal control.



A summary of assessment of key controls based on our audit was as follows:

Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
🟢 Effective	🟢 Effective	🟢 Effective	🟢 Effective	🟢 Effective

In view of the above, we have assessed the internal controls of the Ministry as:

Rating	Internal control assessment
🟢 Effective	No deficiencies identified in internal controls

## 32.5 Submission of FY 2021-2022 Draft Agency Financial Statements

On 1st May 2022, Permanent Secretary for Finance issued Circular No. 06/2021-2022 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2021-2022 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 05 August 2022	✓	Cancellation of unprocessed purchase orders by 18 July 2022	✓
Clearance of Inter-departmental clearance accounts by 08 August 2022	✓	Processing of payments by 28 July 2022	✓
Clearance of stale cheques by 05 August 2022	✓	Processing of virement by 27 July 2022	✓
Annual Board of Survey on Drawings Account cheques by 26 August 2022	✓	Completion of reconciliations by 26 August 2022	✓
Retirement of imprests by 15 July 2022	✓	Submission of arrears of revenue returns by 27 August 2022	✓

When Ministries and Departments achieve the key focus areas highlighted by the Permanent Secretary for Finance by the given dates, they are more likely to prepare accurate and timely draft financial statements for audit.

Based on information received, we have assessed the year-end close process as:

Rating	Year-end close process assessment
★ Effective	10 key processes completed by due date

## 32.6 Quality of Draft Financial Statements by Entities


The extent of audit adjustments made to draft financial statements indicates the effectiveness of an entity's internal review processes before the accounts are submitted for audit.

We assessed the quality of financial statements by the impact these adjustments had on the operating results or net assets of the entity subject to our audit. Our assessment for the Ministry was:

Rating	Quality of draft financial statements assessment
★ Effective	No Adjustments were required

## 32.7 Timeliness of draft financial statements


To assess the timeliness of acceptable draft financial statements, we have compared the date the draft financial statements were due and the date it was received. Accordingly, we have assessed timeliness as:


Rating	Timeliness of draft financial statements assessment
 Generally Effective	Acceptable draft financial statements received on or before 31 October 2022.

### 32.8 Timeliness of Provision of Management Comments and Signing of Financial Statements

To assess the timeliness of provision of management comments and signing of financial statements, we have compared the date the draft management letter and audited financial statements were issued to entity and the date management comments and signed accounts were received.

Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
 Effective	Within 14 days from the issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
 Effective	Within 5 days from the issue of Financial Statements for signing

## APPENDIX 32.1: DETAILED STATEMENT OF TRADING AND MANUFACTURING ACCOUNT

### Manufacturing Account – Timber Utilization Division

Description	31 July 2022 (\$)	31 July 2021 (\$)
Opening Raw Materials	6,774	13,520
Add: Purchases	-	-
	<b>6,774</b>	<b>13,520</b>
Less: Closing Raw Materials	683	6,774
<b>Raw Materials Used</b>	<b>6,091</b>	<b>6,746</b>
Add: Direct Labour	-	-
<b>Cost of Goods Manufactured transferred to Trading Account</b>	<b>6,091</b>	<b>6,746</b>

### Trading Account – Timber Utilization Division

Description	31 July 2022 (\$)	31 July 2021 (\$)
Sales	49,820	196,037
Opening Finished Goods	7,122	23,588
Add: Cost of Manufactured Goods	6,091	6,746
	<b>13,213</b>	<b>30,334</b>
Less: Closing Finished Goods	3,172	7,122
<b>Cost of Goods Sold</b>	<b>10,041</b>	<b>23,212</b>
<b>Gross Profit</b>	<b>39,779</b>	<b>172,825</b>

### Profit and Loss Account – Timber Utilization Division

Description	31 July 2022 (\$)	31 July 2021 (\$)
<b>Income</b>		
Gross Profit Transferred from Trading Account	39,779	172,825
<b>Total Income</b>	<b>39,779</b>	<b>172,825</b>
<b>Expenses</b>		
Maintenance and Operation	-	25,360
<b>Total Expenses</b>	<b>-</b>	<b>25,360</b>
<b>Net Profit</b>	<b>39,779</b>	<b>147,465</b>

### Balance Sheet – Timber Utilization Division

Description	31 July 2022 (\$)	31 July 2021 (\$)
<b>Assets</b>		
Cash at Bank	-	1,390,359
Raw Materials	-	6,774
Accounts Receivable	-	73,857
Finished Goods	-	7,122
<b>Total Assets</b>	<b>-</b>	<b>1,478,112</b>

Description	31 July 2022 (\$)	31 July 2021 (\$)
<b>Liabilities</b>		
Accounts Payable	-	-
Deferred Income	-	2,198,548
Deposits & Deductions	-	(23,556)
<b>Total Liabilities</b>	-	<b>2,174,992</b>
<b>Net Assets</b>	-	<b>(696,880)</b>
<b>Equity</b>		
TMA Accumulated Loss	(926,726)	(1,074,191)
Net Loss for the period	39,779	147,465
	<b>(886,947)</b>	<b>(926,726)</b>
Transfers to Consolidated Fund	1,447,659	229,846
Clearance of TMA charges upon closure of accounts	(560,712)	-
<b>Total Equity</b>	-	<b>(696,880)</b>



**Section 33****MINISTRY OF LANDS AND MINERAL RESOURCES**

The Ministry of Lands and Mineral Resources ('Ministry') is responsible for policy formulation, monitoring and implementation of programs in the areas governing State Land Administration, Mineral Sector and Fiji's Groundwater Resources, all of which play a distinct role in Fiji's economy.

Within the Ministry, the Department of Lands & Survey is responsible for the effective and efficient administration, development and management of all State land in Fiji. Services that fall under the Department's purview include the administration of State leases; land surveying; mapping; land valuation; survey plan examination and approval; development and maintenance of State land; and geospatial information systems.

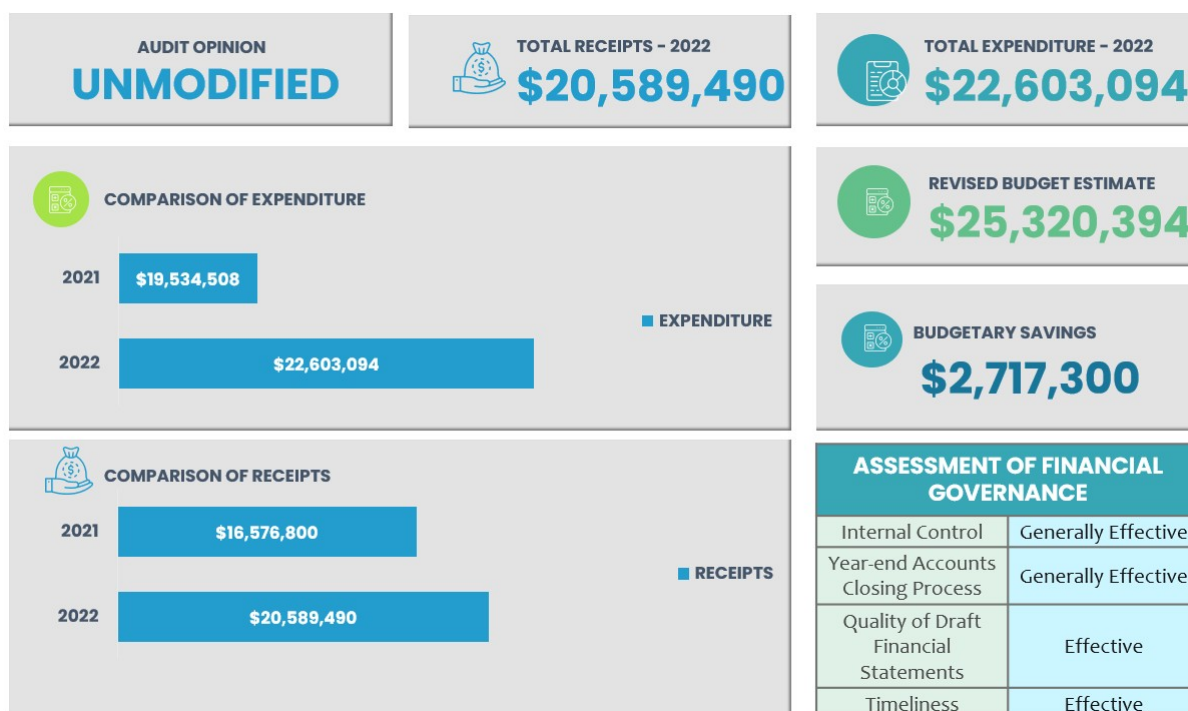
The Department also manages the Land Use Unit, which coordinates the implementation of Government's land reform initiatives. The governance of State land is provided under the provisions of the State Lands Act 1945, Property Law Act 1971, Lands Sales Act 1974, Land Transfer Act 1971 and Agricultural Landlord and Tenant Act (ALTA) 1966.

Separately, the Department of Mineral Resources oversees and facilitates development of Fiji's mineral, rock and groundwater resources. It undertakes studies in relation to geological hazard assessment, which includes geotechnical issues, and monitors for landslides, earthquakes and tsunamis for public alerts and warnings. The Department also regulates the mining and quarrying sector with a mandate under a multitude of Acts, including the Mining, Petroleum (Exploration and Exploitation) 1978, Quarries Act 1939, Explosives Act 1937 and Continental Shelf Act 1970. It also monitors the sector's impact on Fiji's environment.

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## PART A: FINANCIAL STATEMENTS



### 33.1 Audit Opinion

The audit of the 2022 accounts of the Ministry of Lands and Mineral Resources resulted in an unmodified audit opinion.

However, attention was drawn to Note 6 (b) of the financial statements, which discloses the Department of Lands Trust Fund Account that includes the Land-Owning Units (LOUs) lease funds received from lessees and paid to the respective LOUs trust accounts. The Ministry is yet to fully submit draft financial statements and relevant supporting documents for individual LOUs for my audit as required by Land Use Regulations 2011 – Regulation 5(7).

### 33.2 Appropriation Statement

The Ministry collected revenue totalling \$20.6 million in 2022 and incurred expenditure totalling \$22.6 million against a revised budget of \$25.3 million resulting in a saving of \$2.7 million or 10.7%.

Details of expenditure against the revised budget are provided in Table 33.1.

**Table 33.1: Appropriation Statement for 2022**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staffs	10,869,096	-	10,869,096	8,979,290	1,889,806
2	Government Wage Earners	995,717	-	995,717	820,383	175,334
3	Travel and Communications	373,100	26,000	399,100	371,491	27,609

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
4	Maintenance and Operations	7,433,457	15,626	7,449,083	7,263,646	185,437
5	Purchase of Goods and Services	632,359	(35,626)	596,733	531,930	64,803
6	Operating Grants and Transfers	32,100	-	32,100	32,100	-
7	Special Expenditures	764,000	-	764,000	673,871	90,129
	<b>Total Operating Expenditure</b>	<b>21,099,829</b>	<b>6,000</b>	<b>21,105,829</b>	<b>18,672,711</b>	<b>2,433,118</b>
8	Capital Construction	2,873,679	-	2,873,679	2,745,852	127,827
9	Capital Purchase	64,211	-	64,211	64,211	-
10	Capital Grants and Transfers	190,000	(6,000)	184,000	183,010	990
	<b>Total Capital Expenditure</b>	<b>3,127,890</b>	<b>(6,000)</b>	<b>3,121,890</b>	<b>2,993,073</b>	<b>128,817</b>
13	Value Added Tax	1,092,675	-	1,092,675	937,310	155,365
	<b>Total Expenditure</b>	<b>25,320,394</b>	<b>-</b>	<b>25,320,394</b>	<b>22,603,094</b>	<b>2,717,300</b>

Savings of \$1,889,806 under Established Staffs was mainly due to some officers being paid 70-80 percent salary as they did not meet the full qualification requirements of the post. For example, relieving or acting on unregistered surveyors and valuers and officers held against positions such as Senior Scientific Officers and Mining Engineers which are specialised areas where the Ministry lacked officers with the full qualifications for the posts.

Savings of \$175,334 under Government Wage Earners was mainly due to the restructure in the Ministry on the payment made to all Government Wage Earners.

### 33.3 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Ministry operates and maintains two main trust fund bank accounts which includes the Lands Trust Fund Account and the Minerals Trust Fund Account.

#### 33.3.1 Lands Trust Fund Account

The Lands Trust Fund Account was created due to the new Land Use Unit and as such the Department is responsible for the collection of fees, lease rents and other official land charges for the Government and also for the collection of the same revenue for the Native Land Owners that have deposited their land into the Land Bank. Funds collected also include security such as deposits, payments in advance and bank guarantees as stipulated in Section 12 of the Land Use Act.

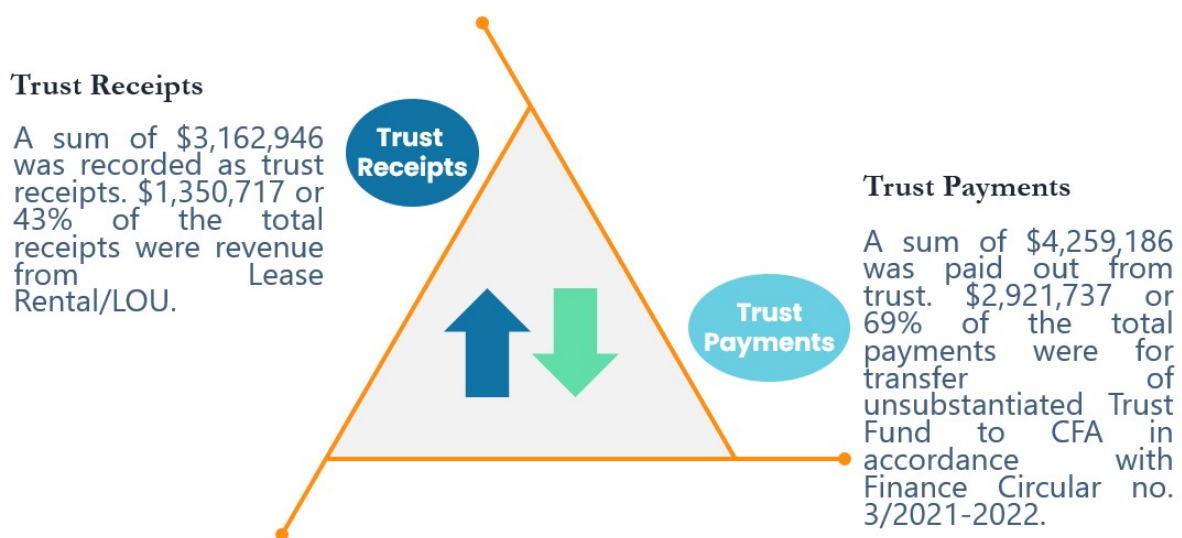
The funds that are operated under the Land Trust Fund include the following:

- Land Acquisition Compensation funds;
- Land Bank Fees, Leases & Securities collected on behalf of Land Owning Units;
- Sand & Gravel Extraction Royalties;
- Qoliqoli Compensation;

- Government Survey & Plan Ad-Hoc Work;
- Government Construction Work Compensation;
- Land Owning Unit Leases;
- Funds received for Vanua View Services; and
- Funds received for Re-Evaluation of city and town boundaries for municipal councils

The Trust Fund Account had an opening balance of \$7,855,618 in 2022. The Ministry collected Lands Trust Fund revenue totalling \$3,162,946 and incurred expenditure totalling \$4,259,186 during the year, resulting in a closing balance of \$6,759,378.

The financial analysis of the Lands Trust Fund Account for the year ended 31 July 2022 is provided below.



The detailed trust fund account statement of receipts and payments is provided in *Appendix 33.1*.

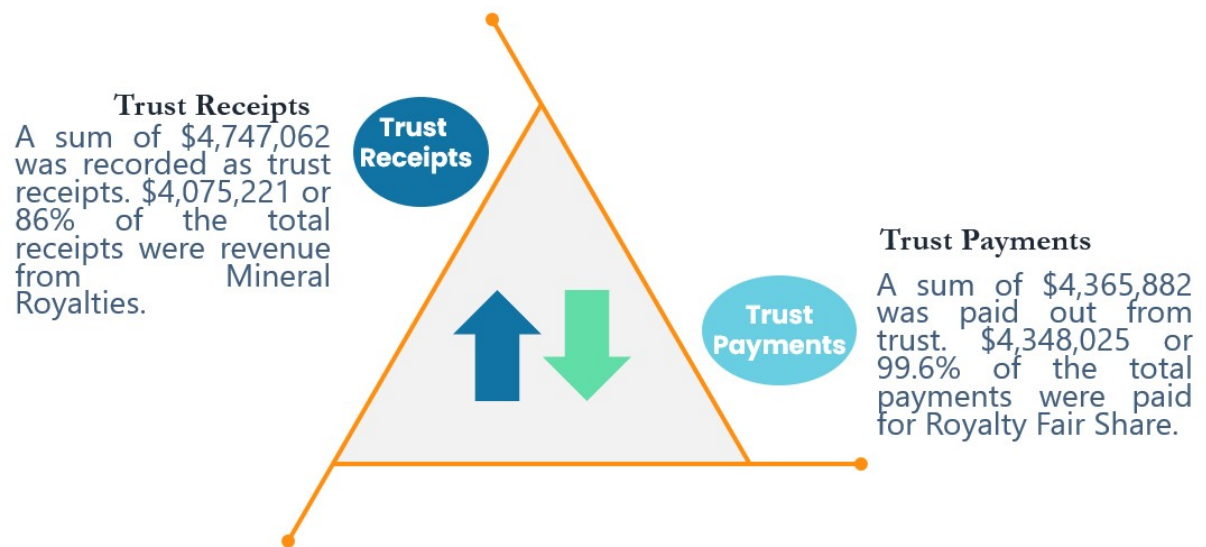
### 33.3.2 Minerals Trust Fund Account

The Minerals Trust Fund Account includes licence paid in advance. This is to ensure that any environmental damage caused will be covered by the money held.

The money held in non-mining trust fund account is from the private or public entities who request the Mineral Resources Department to conduct works or projects. This includes groundwater project or mineral investigations.

The Trust Fund Account had an opening balance of \$10,001,638 in 2022. The Ministry collected Minerals Trust Fund revenue totalling \$4,747,062 in 2022 and incurred expenditure totalling \$4,365,882 resulting in a closing balance of \$10,382,818.

The financial analysis of the Minerals Trust Fund Account for the year ended 31 July 2022 is provided below.



The detailed trust fund account statement of receipts and payments is provided in *Appendix 33.2*.

## PART B: OTHER SIGNIFICANT MATTERS

The Audit Act 1969 requires, amongst other things, that the Auditor-General must report on other significant matters which the Auditor-General wishes to bring to the attention of Parliament.

Other significant matters highlighted in this report, include control weaknesses which *could cause or is causing* severe disruption to the process or on the ability of an auditee to achieve process objectives and comply with relevant legislation.

It is likely that these issues may have an impact on the operations of the Ministry in future, if necessary action is not taken to address them.

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2022.

### 33.4 Significant Arrears of Revenue

Within one month after the end of each quarter, each agency with accounts receivable must submit a quarterly report on outstanding and overdue debts to the Ministry of Finance. Accounts which are overdue must be promptly followed up in accordance with the debt recovery procedures in the Finance Manual.<sup>1</sup>

The audit noted that the Ministry had substantial arrears of revenue amounting to \$35.8 million as at 31/07/2022. Over the past 7 years, the arrears of revenue have showed an increasing trend, remaining above \$20 million since 2016 and exceeded \$30 million from 2020. Refer to Table 33.2 for details.

**Table 33.2: Arrears of Revenue for past 7 years**

Year	Amount (\$)
2022	35,881,068
2021	33,432,792
2020	30,342,570
2019	26,936,731
2018	23,457,483
2017	21,820,630
2016	20,778,013

In addition, verification of lease debtors noted that the highest land lease arrears were owed by business entities within the industrial, foreshore, commercial and special class of leases. Refer to Appendix 33.3 for the top 20 lease debtors for the Ministry.

<sup>1</sup> Finance Instruction 2010, Section 43 & 41

The finding indicates that recovery measures in place have not effectively reduce the arrears of revenue over the years.

As a result, there is high risk of this arrears of revenue becoming irrecoverable and written off resulting in loss to Government.

### **Recommendations**

**The Ministry should:**

- **implement effective recovery measures that will ensure recoveries of arrears of leases from defaulters,**
- **consider taking legal action or repossessing land with substantial and irrecoverable lease arrears.**

### **Ministry's Comments**

*The Ministry has identified the need to review the State Land Act and Regulations to strengthen the process of recovering outstanding arrears from defaulters.*

*Aligned to the review of the State Land Act and Regulations, the Ministry is undertaking research on implementing remedial measures identified internally that will assist in the recovery of lease rental arrears.*

*Option would include:*

- *Caveats on lessees who are defaulters*
- *Registering debts to property*

*There will be a need to issue a public notice in this regard to state lessees. The Ministry will be collaborating with relevant agencies and stakeholders to strengthen the revenue collection.*



## PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

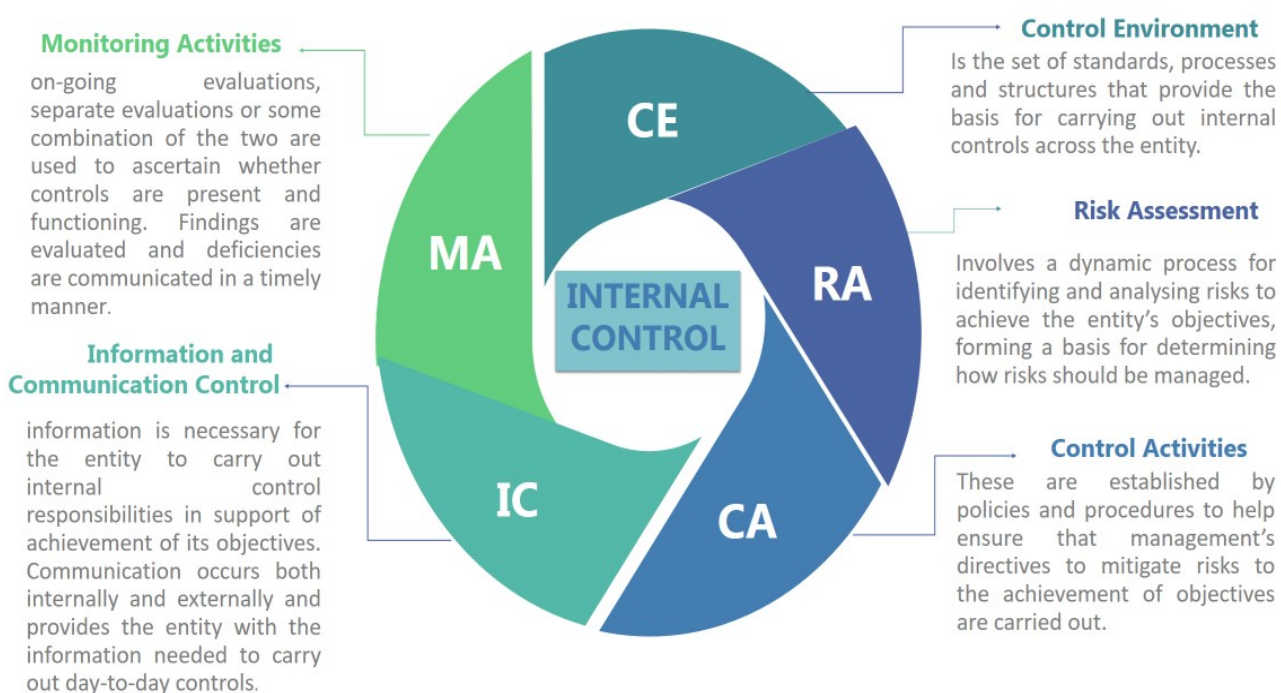
### 33.5 Internal Controls

During our audits, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

A *deficiency* occurs when internal controls are unable to prevent, detect or correct errors in the financial statements or where controls are missing.

A *significant deficiency* is a deficiency that either alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

Internal controls are categorized against the following five components of internal control.



A summary of assessment of key controls based on our audit was as follows:

Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
☀ Generally effective	🌿 Effective	☀ Generally effective	🌿 Effective	☀ Generally effective

In view of the above, we have assessed the internal controls of the Ministry of Lands and Mineral Resources as:



Rating	Internal control assessment
☀ Generally effective	Deficiencies identified in internal controls

### 33.6 Submission of FY 2021-2022 Draft Agency Financial Statements

On 29 April 2022, Permanent Secretary for Finance issued Circular No. 06/2021-2022 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2022 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 08 August 2022	✓	Cancellation of unprocessed purchase orders by 18 July 2022	✓
Clearance of Inter-departmental clearance accounts by 05 August 2022	✓	Processing of payments by 28 July 2022	✓
Clearance of stale cheques by 05 August 2022	✓	Processing of virement by 27 July 2022	✓
Annual Board of Survey on Drawings Account cheques by 26 August 2022	✓	Completion of reconciliations by 26 August 2022	✓
Retirement of imprests by 15 July 2022.	✓	Submission of arrears of revenue returns by 26 August 2022	✗

When ministries and departments achieve the key focus areas highlighted by the Permanent Secretary for Finance by the given dates, they are more likely to prepare accurate and timely draft financial statements for audit.

Based on information received, we have assessed the year-end close process as:

Rating	Year-end close process assessment
☀ Generally Effective	Nine (9) of the ten (10) key processes completed within two weeks of due date

### 33.7 Quality of draft financial statements by Entities

The extent of audit adjustments made to draft financial statements indicates the effectiveness of an entity's internal review processes before the accounts are submitted for audit.

We assessed the quality of financial statements by the impact these adjustments had on the operating results or net assets of the entity subject to our audit. Our assessment for the Ministry of Lands and Mineral Resources was:

Rating	Quality of draft financial statements assessment
☀ Effective	No Adjustments were required

### 33.8 Timeliness of Draft Financial Statements

To assess the timeliness of acceptable draft financial statements, we have compared the date the draft financial statements were due and the date it was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of draft financial statements assessment
☀ Generally Effective	Acceptable draft financial statements received on or before 31 October 2022

### 33.9 Timeliness of Provision of Management Comments and Financial Statements for Signing

To assess the timeliness of provision of management comments and signing of financial statements, we have compared the date the draft management letter and audited financial statements were issued to entity and the date management comments and signed accounts were received.

Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
🌱 Effective	Management response received within 14 days from the issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
☀ Generally Effective	Signed accounts received within 15 days from the issue of financial statements for signing

**APPENDIX 33.1: LANDS TRUST FUND ACCOUNT**

Description	31 July 2022 (\$)	31 July 2021 (\$)
<b>Receipts</b>		
Compensation	252,328	225,805
Fisheries Impact	86,905	-
Lease Rental/LOU	1,350,717	2,518,319
Meal/Mileage Claim	766	-
Royalty	543,765	245,968
Other Revenue	928,465	197,759
<b>Total Receipts</b>	<b>3,162,946</b>	<b>3,187,851</b>
<b>Payments</b>		
Bank Fee	123	121
Meal/Mileage Claim	33,418	20,318
Royalty/State Land	268,798	256,961
Fisheries Impact	39,325	-
Compensation	-	255,190
Lease rental/LOU	828,000	1,154,031
Transfer of Funds to Ministry of Finance	2,921,737	-
Other Expenses	167,785	100,199
<b>Total Payments</b>	<b>4,259,186</b>	<b>1,786,820</b>
Net (Deficit)/Surplus	(1,096,240)	1,401,031
Opening balance as at 1 August	7,855,618	6,454,587
<b>Closing balance as at 31 July</b>	<b>6,759,378</b>	<b>7,855,618</b>

**APPENDIX 33.2: MINERALS TRUST FUND ACCOUNT**

Description	31 July 2022 (\$)	31 July 2021 (\$)
<b>Receipts</b>		
<b>Mining</b>		
Mining Bond	508,237	106,000
SPL Renewal Fees	6,121	151,217
Mining Rental Fees	115,977	1,044,032
Royalty	4,075,221	4,550,014
<b>Non-Mining</b>		
Geotechnical Survey	17,957	13,503
Borehole Construction	10,815	13,307
SPL Licenses	12,734	22,027
<b>Total Receipts</b>	<b>4,747,062</b>	<b>5,900,100</b>
<b>Payments</b>		
<b>Mining</b>		
Transfer of Renewal Fees	1,289	240,557
Bond Refund	-	-
Royalty Fair Share	4,348,025	2,572,721
<b>Non – Mining</b>		
Borehole Construction	5,939	10,828
Geotechnical Survey	9,975	2,310
Transfer of Other Revenue held in Trust	654	126,157
<b>Total Payments</b>	<b>4,365,882</b>	<b>2,952,573</b>
Net Surplus	381,180	2,947,527
Opening balance as at 1 August	10,001,638	7,054,111
<b>Closing balance as at 31 July</b>	<b>10,382,818</b>	<b>10,001,638</b>

**APPENDIX 33.3: TOP 20 LEASE ARREARS DEBTORS**

File Reference No.	Lease No.	Lease Type	Arrears as at 31/07/22 (\$)
4/16/8426	16163	SPECIAL	1,322,209.75
4/10/3101	13734	COMMERCIAL	715,640.09
4/16/4069	11975	COMMERCIAL	649,946.08
4/7/3320	248965	SPECIAL	321,665.97
4/7/2769	18762	INDUSTRIAL	309,464.47
4/7/3567	13843	INDUSTRIAL	193,166.27
4/7/3573	13849	INDUSTRIAL	175,084.04
4/7/2767	18760	INDUSTRIAL	143,410.39
4/10/1491	19524A	COMMERCIAL	136,870.80
60/42	004492	INDUSTRIAL	131,194.05
4/16/8366	18014	INDUSTRIAL	131,152.09
4/7/2771	18764	INDUSTRIAL	128,314.56
4/16/3772	2832	COMMERCIAL	115,636.14
4/7/2145	18056	INDUSTRIAL	104,387.25
4/11/989	21886	SPECIAL	104,139.43
4/10/6070	859390	COMMERCIAL	103,696.99
4/4/657	XXX23368	INDUSTRIAL	101,359.51
4/4/2333	AN27278	INDUSTRIAL	100,969.17
4/14/3077	AN3077	INDUSTRIAL	99,080.11
4/16/8368	18015	INDUSTRIAL	98,793.57

## Section 34 Ministry of Commerce, Trade, Tourism and Transport

### Roles and Responsibilities

The Ministry of Commerce, Trade, Tourism and Transport ('Ministry') aims to promote Fiji to the world as an attractive destination for both business and pleasure alike. The Ministry actively works to solidify and strengthen Fiji's position as the economic hub of the Pacific, and to develop and diversify the Fijian economy to be more vibrant, dynamic, and export-led.

Across all industries, the Ministry strives to adapt and innovate the nation's growing economy to ensure that Fijian businesses can aggressively compete on the international stage; having already achieved record-setting economic growth, Fiji's economy is well-positioned to assume a larger role in the global marketplace. As such, the Ministry is working to broaden the base of export markets for Fijian-Made products and services. The Ministry is continuously reviewing Fiji's investment policy and laws to better align with the Fijian Government's overall vision for continued prosperity. This introspective approach aims to ensure that the Fijian economy remains as competitive and business-friendly as possible, attracting new business, maximizing investor confidence, and allowing Fiji's existing businesses to flourish.

To ignite grassroots entrepreneurship, the Ministry's programs and initiatives heavily focus on the support and development of Fiji's micro, small and medium enterprises, the backbone of the Fijian society. By creating a business climate where good ideas can easily become reality, the Ministry is empowering ordinary Fijians' ability to tap into their economic potential, all while growing the economy as a whole. The Ministry also specifically incentivizes young Fijians through the Young Entrepreneurship Scheme who have innovative business ideas by providing skills training and economic guidance, arming them with the necessary knowledge to navigate Fiji's formal financial sector with a higher chance of success. The following highly-specified divisions are under the ambit of the Ministry: The Trade Unit; Economic Unit; Department of National Trade Measurement and Standard; Department of Co-operative Business; Tourism Unit; and the Integrated Human Resource Development Programme; along with four distinct Trade Commissions to cater to targeted international markets: Australia and New Zealand; China; North America; and Papua New Guinea. The Ministry also provides oversight for the following institutions, boards and councils: The Consumer Council of Fiji; National Centre for Small and Medium Enterprises, Fijian Competition and Consumer Commission; Investment Fiji; Tourism Fiji; Film Fiji; and the Real Estate Agents Licensing Board.

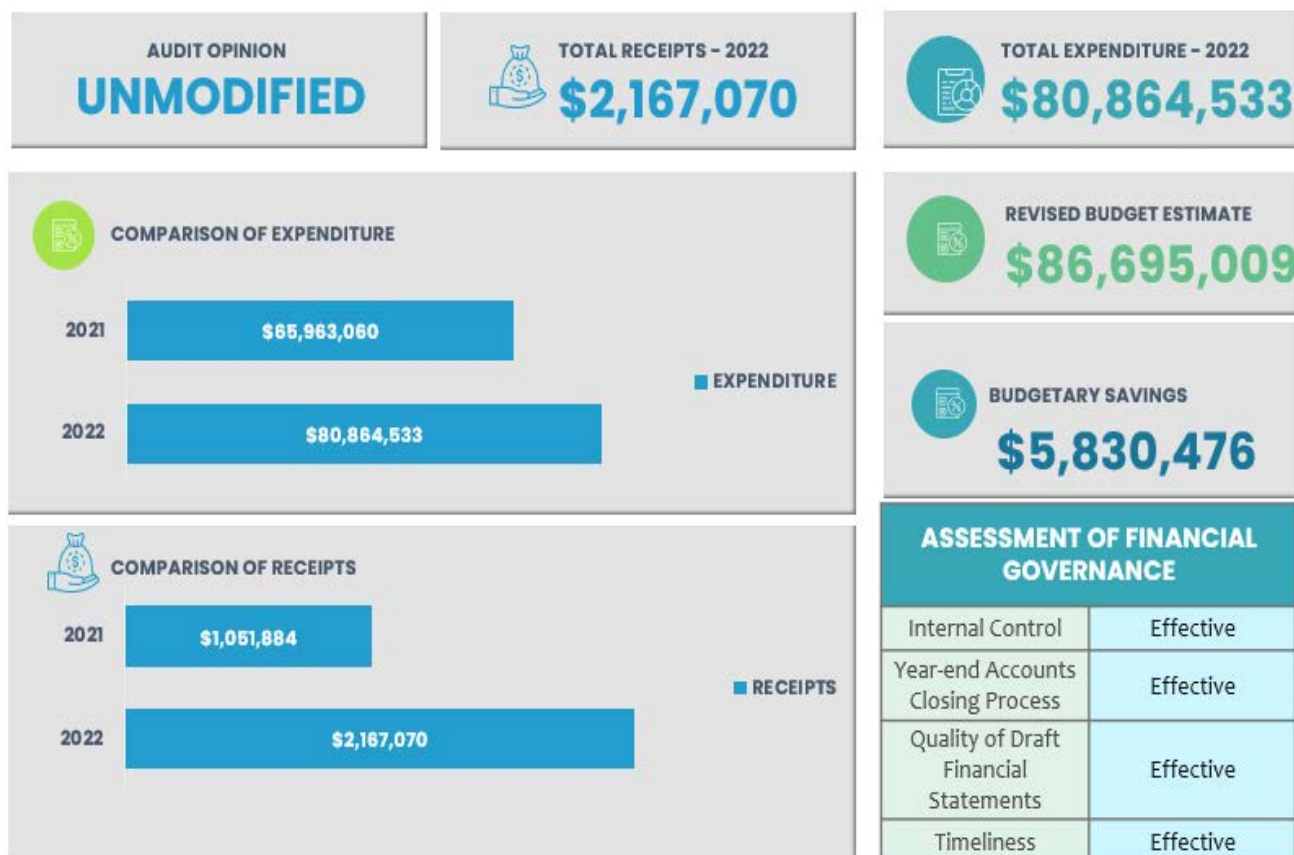
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## PART A: FINANCIAL INFORMATION



### 34.1 Audit Opinion

The audit of the 2022 accounts of the Ministry of Commerce, Trade, Tourism and Transport resulted in an unmodified opinion.

### 34.2 Appropriation Statement

The Ministry collected revenue totaling \$2,167,070 in 2022 and incurred expenditure totaling \$80.8 million against a revised budget of \$86.6 million resulting in budget savings of \$5.8 million or 7%.

Details of expenditure against the budget estimate are provided in Table 34.1 below

**Table 34.1: Appropriation Statement for 2022**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	6,996,028	(78,000)	6,918,028	6,168,738	749,290
2	Government wage earners	2,669,682	78,000	2,747,682	2,387,353	360,329
3	Travel & communication	203,100	107,200	310,300	286,823	23,477



SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
4	Maintenance & operations	3,408,800	11,619	3,420,419	3,012,773	407,646
5	Purchase of goods & services	302,800	179,768	482,568	406,288	76,280
6	Operating grants & transfers	39,738,002	(55,100)	39,682,902	38,007,004	1,675,898
7	Special expenditure	5,218,839	(252,250)	4,966,589	4,471,855	494,734
	<b>Total Operating Expenditure</b>	<b>58,537,251</b>	<b>(8,763)</b>	<b>58,528,488</b>	<b>54,740,834</b>	<b>3,787,654</b>
8	Capital Construction	524,000	-	524,000	262,628	261,372
10	Grants & Transfers	26,764,554	8,763	26,773,317	25,481,350	1,291,967
	<b>Total Capital Expenditure</b>	<b>27,288,554</b>	<b>8,763</b>	<b>27,297,317</b>	<b>25,743,978</b>	<b>1,553,339</b>
13	Value added tax	869,204	-	869,204	379,721	489,483
	<b>TOTAL</b>	<b>86,695,009</b>	<b>-</b>	<b>86,695,009</b>	<b>80,864,533</b>	<b>5,830,476</b>

The budget savings were largely due to the following:

1. The savings for payroll is due to vacant positions.
2. The savings in travel and communication, maintenance and operations, purchase of goods and services is due to implementation of controls to reduce expenditure for the respective expenditure allocations.
3. The savings in operating grants and transfers is due to the non-release of the fourth quarter grant for Land Transport Authority (\$200,000) and Maritime Safety Authority of Fiji (\$629,120) as agencies had sufficient savings for the fourth quarter operations. Also, savings were noted for Shipping Services subsidy (\$838,899).
4. The savings in special expenditure is attributed to Trade Commission North America (\$106,814), Covid State Ambassadors (\$106,230) and Digitalization e-services platform (\$180,000).
5. The savings in capital construction is due to activities that did not take place in the financial year for the construction of government wharf (\$200,000) and upgrade of facility and jetty (\$150,000).
6. The savings in capital grants and transfers is due to partial release of the fourth quarter grant for Land Transport Authority (\$514,304) as they had sufficient savings for the fourth quarter operations. Also, savings were noted for Trade Enhancement Program (\$114,164), National Export strategy (\$230,606) since some of the applications did not meet the criteria of the programs. There were also savings of \$285,337 for the New Town Development.

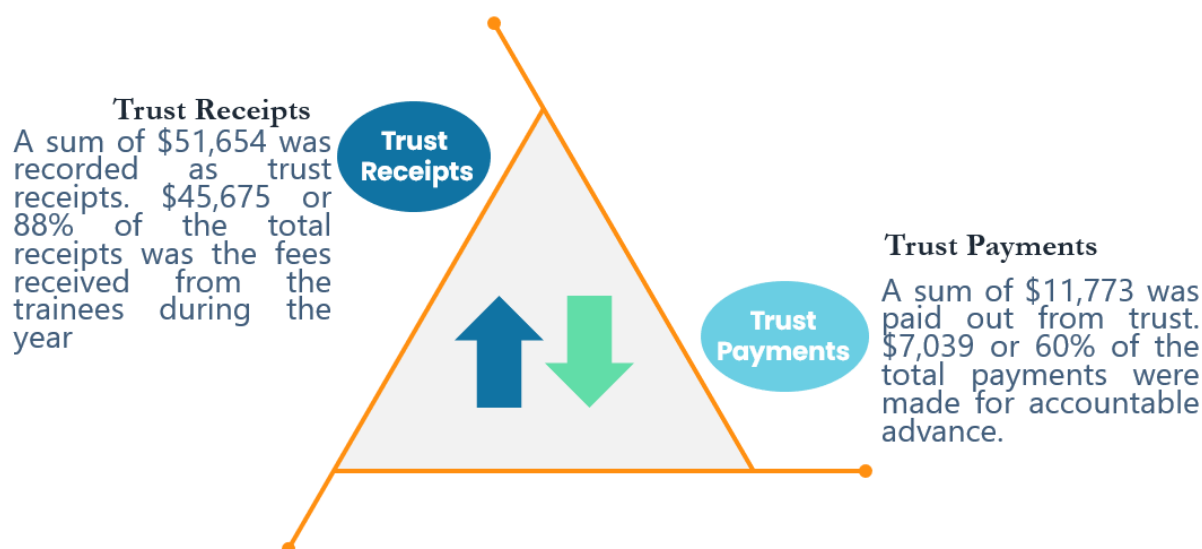
### 34.3 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Ministry operates and maintains two main trust fund bank accounts which includes the following.

### 34.3.1 Co-operative Trust Fund Account – Statement of Receipts and Payments

The Co-operative Trust Fund Account was established to administer the training services delivered to co-operative members. The receipts consist of fees charged to trainees and payment relates to the operation of the training institutes.

The Department of Co-operative collected trust revenue totaling \$51,654 in 2022 and incurred expenditure totaling \$11,773 resulting in a surplus of \$39,881 in 2022.



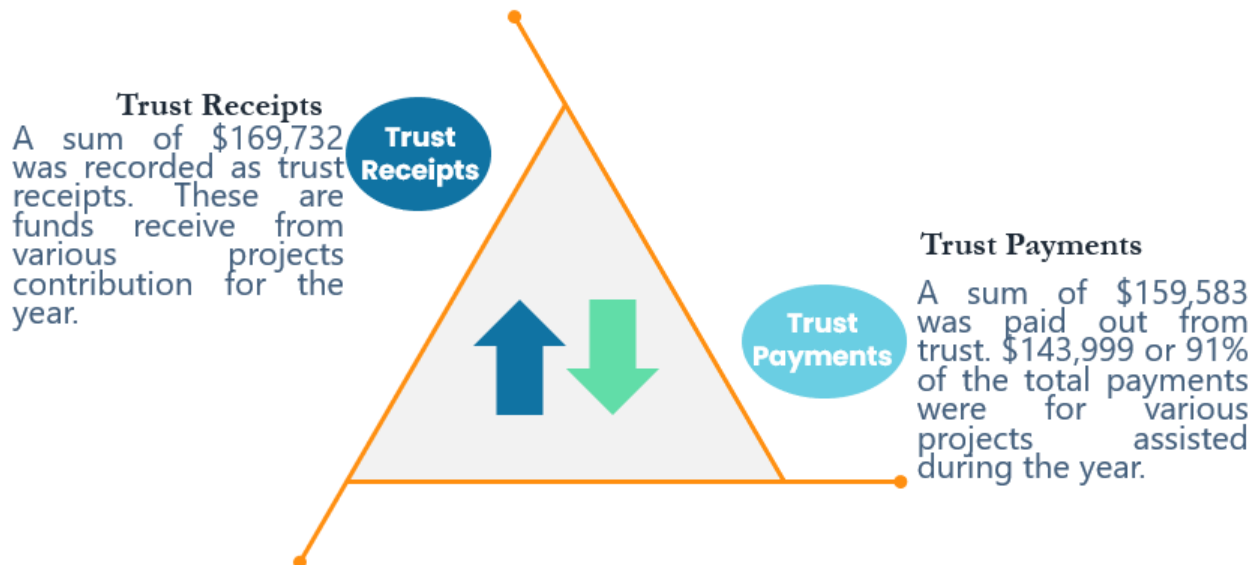
The detailed trust fund account statement of receipts and payments are provided in Appendix 34.1.

### 34.3.2 IHRDP Trust Fund Account - Statement of Receipts and Payments

The Ministry administers the Integrated Human Resource Development Programme (IHRDP) Trust Fund Account.

The Integrated Human Resource Development Programme was endorsed by Government in 2000 to establish income generating projects and to create decent employment. These small and medium economic activities are intended to generate and revitalize the local rural economies and thus enhancing the livelihood of rural communities, settlements, and villages.

The IHRDP Trust Fund collected trust revenue totaling \$169,732 in 2022 and incurred expenditure totaling \$159,583 resulting in a surplus of \$10,149 in 2022.



The detailed trust fund account statement of receipts and payments are provided in Appendix 34.2.

## PART B: OTHER SIGNIFICANT MATTERS

The Audit Act 1969 requires, amongst other things, that the Auditor-General must report on other significant matters which the Auditor-General wishes to bring to the attention of Parliament.

There were no other significant matters identified during the audit of the 2022 financial year of the Ministry.

## PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

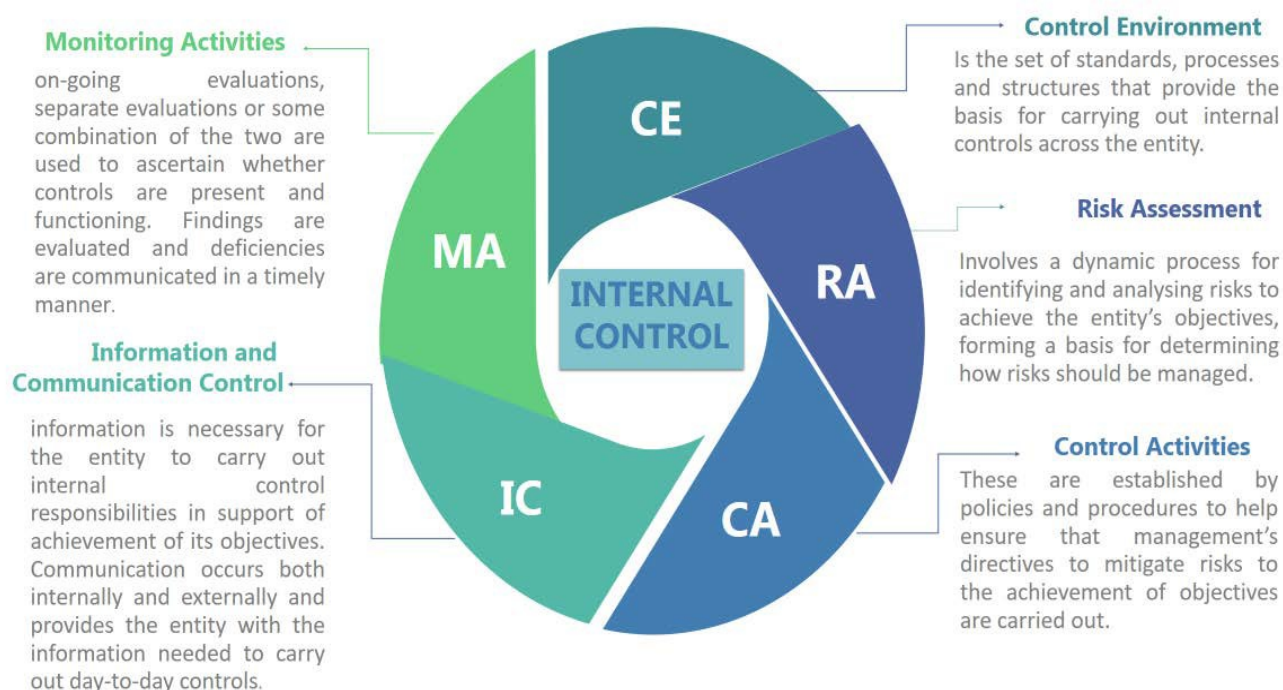
### 34.4 Internal Controls

During our audits, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

A *deficiency* occurs when internal controls are unable to prevent, detect or correct errors in the financial statements or where controls are missing.

A *significant deficiency* is a deficiency that either alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

Internal controls are categorized against the following five components of internal control.



A summary of assessment of key controls based on our audit was as follows:

Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities

In view of the above, we have assessed the internal controls of the Ministry as:

Ratings	Internal control assessment
Effective	Internal controls are working effectively

### 34.5 Submission of FY 2021-2022 Draft Agency Financial Statements

On 29 April 2022, Permanent Secretary for Finance issued Circular No. 06/2021-2022 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2022 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 08 August 2022		Cancellation of unprocessed purchase orders by 18 July 2022	
Clearance of Inter-departmental clearance accounts by 05 August 2022		Processing of payments by 28 July 2022	
Clearance of stale cheques by 05 August 2022		Processing of virement by 19 August 2022	
Annual Board of Survey on Drawings Account cheques by 26 August 2022		Completion of reconciliations by 26 August 2022	
Retirement of imprests by 15 July 2022		Submission of arrears of revenue returns by 26 August 2022	

When ministries and departments achieve the key focus areas highlighted by the Permanent Secretary for Finance by the given dates, they are more likely to prepare accurate and timely draft financial statements for audit.

Based on information received, we have assessed the year-end close process as:

Ratings	Internal control assessment
Effective	All 10 key processes completed by due date

### 34.6 Quality of Draft Financial Statements by Entities

The extent of audit adjustments made to draft financial statements indicates the effectiveness of an entity's internal review processes before the accounts are submitted for audit.

We assessed the quality of financial statements by the impact these adjustments had on the operating results or net assets of the entity subject to our audit. Our assessment for the Ministry was:

Rating	Quality of draft financial statements assessment
🌟 Effective	No adjustments were required

### 34.7 Timeliness of Draft Financial Statements

To assess the timeliness of acceptable draft financial statements, we have compared the date the draft financial statements were due and the date it was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of draft financial statements assessment
🌟 Generally Effective	Acceptable draft financial statements received on or before 31 October 2022.

### 34.8 Timeliness of Management Comments and signed Financial Statements

To assess the timeliness of provision of management comments and signing of financial statements, we have compared the date the draft management letter and audited financial statements were issued to entity and the date management comments and signed accounts were received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
🌟 Effective	Within 14 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
🌟 Effective	Within 5 days from issue of Financial Statements for signing

**APPENDIX 34.1: DETAILS OF CO-OPERATIVE TRUST FUND ACCOUNT**

Description	31 July 2022 (\$)	31 July 2021 (\$)
<b>Receipts</b>		
Co-operative Training Fees	45,675	-
Interest Received	1,341	1,392
Sales of Stationery	1,622	510
Refunds and adjustment of Accountable	3,016	-
<b>Total Receipts</b>	<b>51,654</b>	<b>1,902</b>
<b>Payments</b>		
Bank Charges	317	263
Repair & Maintenance - CCF	-	4,950
Stationery	-	1,010
Interest Paid to Revenue	1,025	1,129
Other Expenses	2,795	-
Adjustment of Double Posting	53	-
Issuance of Accountable advance	7,039	-
FRCS	544	46
<b>Total Payments</b>	<b>11,773</b>	<b>7,398</b>
Net Surplus/Deficit	39,881	(5,496)
Opening Balance as at 1 August	<b>108,420</b>	<b>113,916</b>
<b>Closing Balance as at 31 July</b>	<b>148,301</b>	<b>108,420</b>

**APPENDIX 34.2: DETAILS OF IHRDP TRUST FUND ACCOUNT**

Description	31 July 2022 (\$)	31 July 2021 (\$)
<b>Receipts</b>		
Contributions receive from various projects	169,732	69,908
<b>Total Receipts</b>	<b>169,732</b>	<b>69,908</b>
<b>Payments</b>		
Bank Charges	115	35
Refund-CFA	-	2,546
Refunds to various projects	15,469	7,000
Payments for various projects	143,999	65,867
<b>Total Payments</b>	<b>159,583</b>	<b>75,448</b>
<b>Net Surplus/ Deficit</b>	<b>10,149</b>	<b>(5,540)</b>
Opening Balance as at 1 August	83,476	89,016
<b>Closing Balance as at 31 July</b>	<b>93,625</b>	<b>83,476</b>



**Section 35****Ministry of Sugar Industry****Roles and Responsibilities**

The Ministry of Sugar Industry is responsible for the coordination of the activities and functions of the various institutions that make up the sugar industry with the sole objective of ensuring that Government's commitment to reviving the industry is achieved. On-going partnership with the relevant industry stakeholders will enable more land available for productive and social purposes which encourages cane cultivation, adequate labour and committed sugar workforce.

The establishment of a dedicated Ministry of Sugar Industry provides the enabling environment for direct efficient delivery of services to the stakeholders and cane districts and sectors throughout Fiji. The adoption of the 'professional' service delivery by the Ministry will promote maximum cane and sugar production annually through increased investments in cane and mill efficiency operation which lead to higher prices in sugar exports to existing and potential global markets.

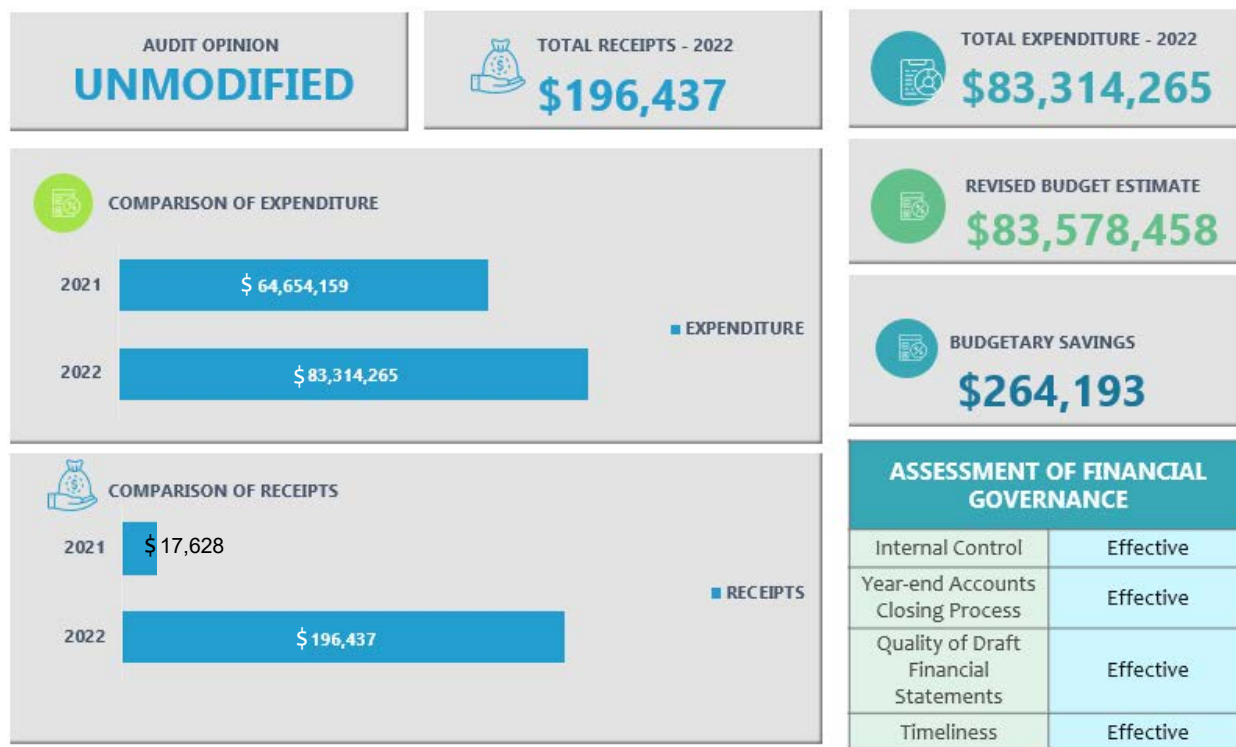
With clear guidelines in place to achieve specific targets, the Ministry is committed to adopting a 'professional' service status that promotes:

- (a) Investment in cane management systems thus ensuring increased cane production.
- (b) Investments in mill technology thus contributing to improved mill efficiency and sugar extraction.
- (c) Exploring opportunities to value adding of milling by products as a source of additional revenue for the industry.

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## PART A: FINANCIAL INFORMATION



### 35.1 Audit Opinion

The audit of the 2022 accounts of the Ministry of Sugar Industry resulted in an unmodified audit opinion.

### 35.2 Appropriation Statement

The Ministry collected revenue totalling \$196,437 in 2022 and incurred expenditure totalling \$83.3 million against a revised budget of \$83.5 million resulting in a saving of \$264,193 or 0.32%.

Details of expenditure against the revised budget are provided in Table 30.1 for financial year 2022.

**Table 30.1: Appropriation Statement for 2022**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	500,844	-	500,844	485,003	15,841
2	Government Wage Earners	45,291	5,000	50,291	47,105	3,186
3	Travel & Communication	42,570	9,070	51,640	48,542	3,098
4	Maintenance & Operations	304,510	3,300	307,810	299,680	8,130
5	Purchase of Goods & Services	10,381	-	10,381	6,246	4,135

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating Grants & Transfers	1,662,560	260,000	1,922,560	1,922,559	1
7	Special expenditure	345,070	(107,370)	237,700	41,229	196,471
	<b>Total Operating Costs</b>	<b>2,911,226</b>	<b>170,000</b>	<b>3,081,226</b>	<b>2,850,364</b>	<b>230,862</b>
8	Capital Construction	-	-	-	-	-
9	Capital Purchase	-	-	-	-	-
10	Capital Grants & Transfers	80,344,004	90,000	80,434,004	80,434,004	-
	<b>Total Capital Expenditure</b>	<b>80,344,004</b>	<b>90,000</b>	<b>80,434,004</b>	<b>80,434,004</b>	<b>-</b>
13	Value Added Tax	63,228	-	63,228	29,897	33,331
	<b>TOTAL</b>	<b>83,318,458</b>	<b>260,000</b>	<b>83,578,458</b>	<b>83,314,265</b>	<b>264,193</b>

## **PART B: OTHER SIGNIFICANT MATTERS**

The Audit Act 1969 requires, amongst other things, that the Auditor-General must report on other significant matters which the Auditor-General wishes to bring to the attention of Parliament.

No significant matters were noted in the financial year 2022.

## PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

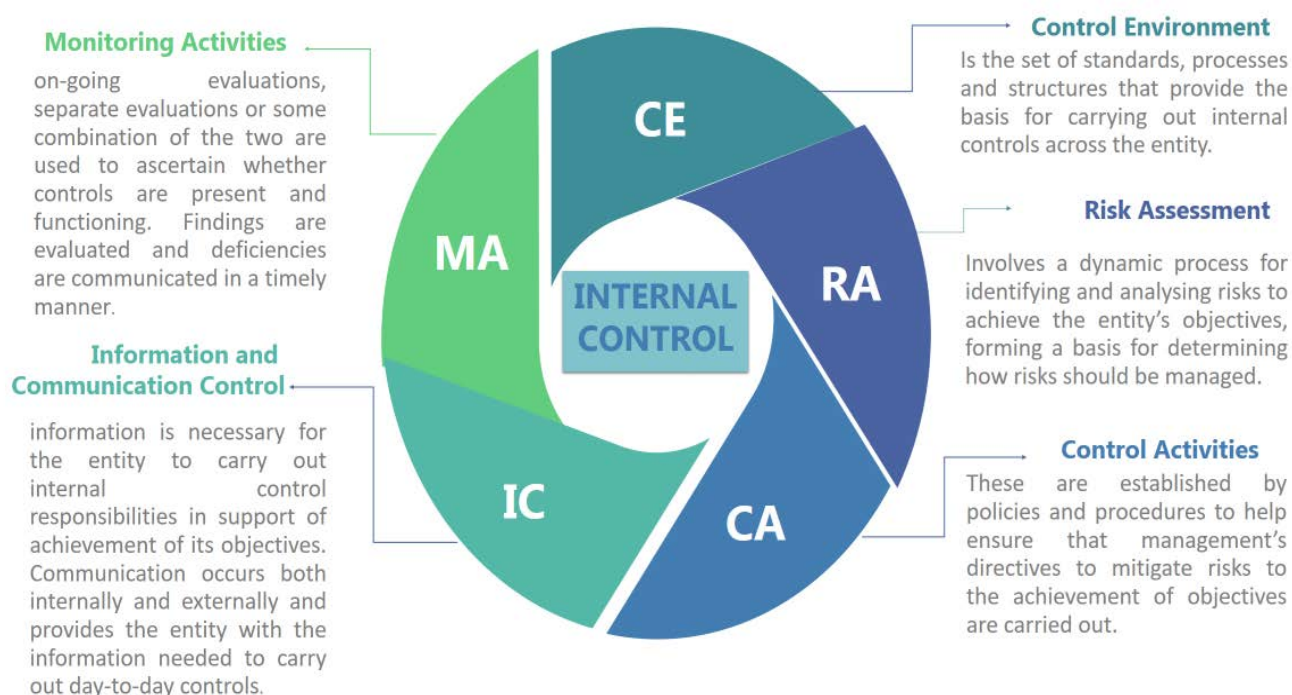
### 35.3 Internal Controls

During our audits, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

A *deficiency* occurs when internal controls are unable to prevent, detect or correct errors in the financial statements or where controls are missing.

A *significant deficiency* is a deficiency that either alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

Internal controls are categorized against the following five components of internal control.



A summary of assessment of key controls based on our audit was as follows:

Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
🌟	🌟	🌟	🌟	🌟

In view of the above, we have assessed the internal controls of the Ministry as:

Rating	Internal control assessment
🌟 Effective	Internal controls are operating effectively.

### 35.4 Submission of FY 2022 Draft Agency Financial Statements

On 29 April 2022, Permanent Secretary for Finance issued Circular No. 06/2021-2022 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2022 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 08 August 2022		Cancellation of unprocessed purchase orders by 18 July 2022	
Clearance of Inter-departmental clearance accounts by 05 August 2022		Processing of payments by 28 July 2022	
Clearance of stale cheques by 05 August 2022		Processing of virement by 27 July 2022	
Annual Board of Survey on Drawings Account cheques by 26 August 2022		Completion of reconciliations by 26 August 2022	
Retirement of imprests by 15 July 2022.	Not Applicable	Submission of arrears of revenue returns by 26 August 2022	Not Applicable

When Ministries and Departments achieve the key focus areas highlighted by the Permanent Secretary for Finance by the given dates, they are more likely to prepare accurate and timely draft financial statements for audit.

Based on information received, we have assessed the year-end close process as:

Rating	Year-end close process assessment
Effective	All key processes completed within two weeks of due date

### 35.5 Quality of Draft Financial Statements by Entities

The extent of audit adjustments made to draft financial statements indicates the effectiveness of an entity's internal review processes before the accounts are submitted for audit.

We assessed the quality of financial statements by the impact these adjustments had on the operating results or net assets of the entity subject to our audit. Our assessment for the Ministry was:

Rating	Quality of draft financial statements assessment
Effective	No adjustments were required

### 35.6 Timeliness of Draft Financial Statements

To assess the timeliness of acceptable draft financial statements, we have compared the date the draft financial statements were due and the date it was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of draft financial statements assessment
• Effective	Acceptable draft financial statements received on or before 15 October 2022.

### 35.7 Timeliness of Provision of Management Comments and Signing of Financial Statements

To assess the timeliness of provision of management comments and signing of financial statements, we have compared the date the draft management letter and audited financial statements were issued to entity and the date management comments and signed accounts were received.

Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
• Effective	Within 14 days from the issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
• Effective	Within 5 days from the issue of Financial Statements for signing

## Section 37

## MINISTRY OF LOCAL GOVERNMENT

### Roles and Responsibilities

The Ministry of Local Government is responsible for formulating and implementing local government and urban planning policies. The Ministry oversees two key Departments: Local Government & Town and Country Planning.

The primary responsibility of the Department of Local Government is to improve local governance through the effective implementation of the Local Government Act 1972. It is also responsible for the provision of policy advice and support service to the National Fire Authority to ensure effective delivery of its core services.

The Department of Town and Country Planning is responsible for the overall administration, planning and regulation of land use in Fiji through the Town Planning Act 1946 and Subdivision of Land Act 1937, to ensure sustainable development and coordinated growth. Its key functions are strategic planning of urban and rural areas and regulation and compliance with development laws. It also offers physical planning and land development advice to government and promotes town planning in Fiji.

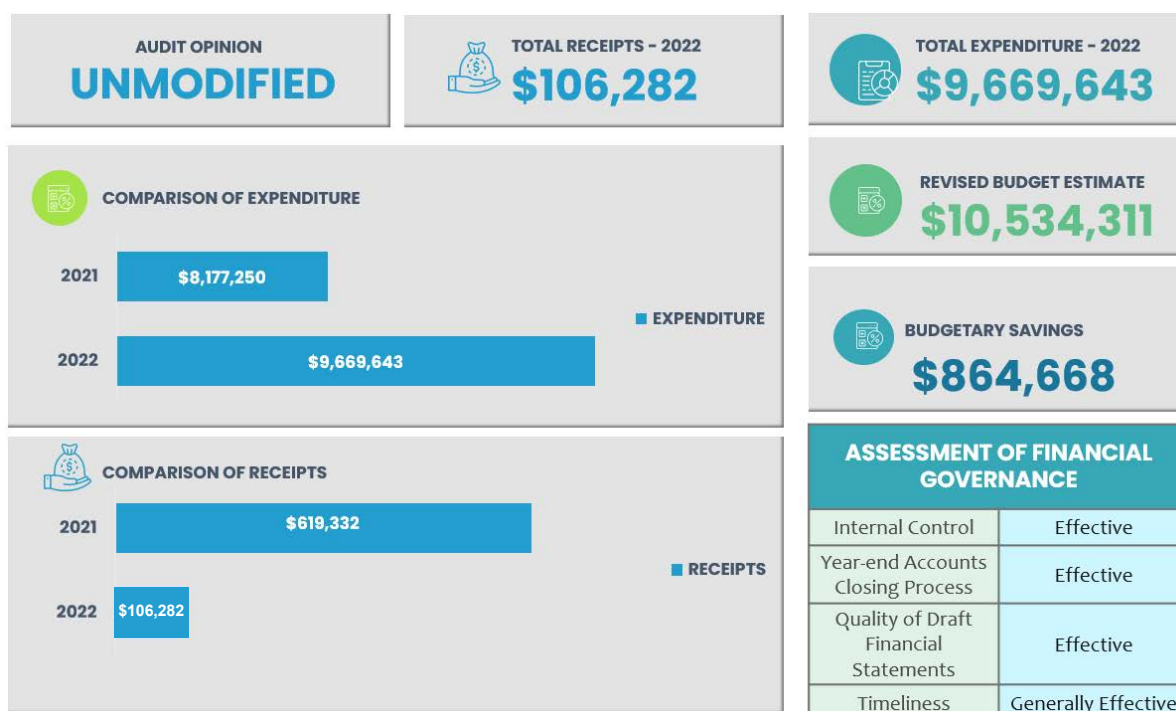
The Ministry also partners with other authorities such as National Fire Authority, Municipal Councils nationwide, as well as with international donor agencies that conduct environment waste management programs.

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## PART A: FINANCIAL STATEMENTS



### 37.1 Audit Opinion

The audit of the 2022 accounts of the Ministry of Local Government resulted in an unmodified audit opinion.

### 37.2 Appropriation Statement

The Ministry collected revenue totalling \$106,282 in 2022 and incurred expenditure totalling \$9.7 million against a revised budget of \$10.5 million resulting in a saving of \$0.8 million or 8%.

Details of expenditure against the revised budget are provided in Table 37.1.

**Table 37.1: Appropriation Statement for 2022**

SEG	Item	Budget Estimate (\$)	Change s (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staffs	794,227	(19,200)	775,027	526,703	248,324
2	Government Wage Earners	71,056	-	71,056	27,968	43,088
3	Travel and Communications	34,686	27,592	62,278	48,646	13,632
4	Maintenance and Operations	66,500	141,009	207,509	189,920	17,589
5	Purchase of Goods and Services	46,913	826	47,739	29,966	17,773

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating Grants and Transfers	5,871,455	-	5,871,455	5,763,552	107,903
7	Special Expenditures	527,093	(146,367)	380,726	262,766	117,960
	<b>Total Operating Expenditure</b>	<b>7,411,930</b>	<b>3,860</b>	<b>7,415,790</b>	<b>6,849,521</b>	<b>566,269</b>
8	Capital Construction	296,507	-	296,507	114,834	181,673
9	Capital Purchase	20,276	-	20,276	-	20,276
10	Capital Grants and Transfers	2,716,298	-	2,716,298	2,667,738	48,560
	<b>Total Capital Expenditure</b>	<b>3,033,081</b>	<b>-</b>	<b>3,033,081</b>	<b>2,782,572</b>	<b>250,509</b>
13	Value Added Tax	89,300	(3,860)	85,440	37,550	47,890
	<b>Total Expenditure</b>	<b>10,534,311</b>	<b>-</b>	<b>10,534,311</b>	<b>9,669,643</b>	<b>864,668</b>

The savings in Established staff of \$248,324 was due to the vacant positions resulting from resignation.

The savings in Special Expenditures of \$117,960 was due to the reduction of payments to Special Administrator Chairs and Special Administrator, who were appointed from 16 February 2022.

The savings of \$181,673 under Capital Construction was due to the Ministry's office refurbishment project not completed during the year.

## PART B: OTHER SIGNIFICANT MATTERS

The Audit Act 1969 requires, amongst other things, that the Auditor-General must report on other significant matters which the Auditor-General wishes to bring to the attention of Parliament.

Other significant matters highlighted in this report, include control weaknesses which *could cause or is causing* severe disruption to the process or on the ability of an auditee to achieve process objectives and comply with relevant legislation.

It is likely that these issues may have an impact on the operations of the Ministry in future, if necessary action is not taken to address them.

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2022.

### 37.3 Oversight role in updating Municipal Council's Audits

Every Council shall keep proper accounts and records which shall be kept in accordance with the accounting standards approved by the Fiji Institute of Accountants in such manner as may be directed by the Minister.<sup>1</sup>

The recipient shall prepare an acquittal report. The acquittal report shall provide the following information details of grant money expended and unexpended; grant objectives and targets achieved; and financial statement (audited if practicable) for grants of \$20,000 or more.<sup>2</sup>

The grant recipient must provide to the Government a final audit report no later than 3 months after the period under audit.<sup>3</sup>

The Ministry of Local Government is responsible for the overall administration and regulation of Municipal Councils through the Local Government Act 1972.

Over the last 5 financial years (2018 – 2022), the Ministry paid Operating Grants totalling \$12.2 million and Capital Grant totalling \$17.6 million to Municipal Councils. Refer to Appendix 37.1 for details.

Contrary to section 3.3 of the Ministry's Financial Manual and section 6 of the grant agreements between the Ministry and the Municipal Councils, the audit noted that the Ministry have not been effective in its oversight role to ensure that the audits of the Municipal Council's accounts are up to date and their draft accounts are submitted for audit on time.

Refer to Appendix 37.2 for details on the last audits completed for each Municipal Councils and the draft accounts that are pending for submission.

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<sup>1</sup> Local Government Act 1972 – section 47 (2)

<sup>2</sup> Ministry of Local Government Finance Manual 2023 – section 3.3.1

<sup>3</sup> Grant Agreement between Ministry and Municipal Council – Part 6.3

The finding indicates that the Ministry have not been effectively involved in terms of monitoring to ensure that:

- i. The requirements of stated policies and procedures are complied with by the Municipal Councils;
- ii. the audit of the Municipal Councils are kept up to date.

The lack of capacity and competency of accounting personnel of the Councils have also been noted to a factor contributing towards delays in preparation of draft financials for audit.

### **Recommendations**

**The Ministry should:**

- **implement effective monitoring strategies to ensure that:**
  - i. **The Municipal Council adhered to the requirements of the Act, Finance Manual and Grant Agreements; and**
  - ii. **The audits of the Municipal Councils are kept up to date.**
- **consider developing a competency framework for accounting personnel of the Councils.**

### **Ministry's Comments**

*Oversight role of the Ministry in getting the Municipal Councils adhere to the requirements of the Act, Finance Manual and Grant Agreements*

- *The Ministry of Local Government has developed specific key performance indicators (KPIs) of the Special Administrators and CEOs to oversee proper implementation of the Capital Projects in accordance with the budget allocations and the timelines. The Councils are also required to comply with the Financial Policy and the Grant Agreements. Furthermore, the Ministry has developed for the municipal councils' financial manuals and has undertaken training of council staff. There will be a refresher of the manuals and improvements to the manuals done in June this year.*
- *The Ministry of Local Government is ensuring that Municipal Councils adheres to the grant agreement and does a thorough checking of grant expenditures incurred by the Councils. The Councils are required to submit monthly signed financial reports to the Ministry. The Ministry verifies and vets all quarterly acquittals before recommending to the Ministry of Finance the release of funds.*
- *In 2022-2023 financial year, the Ministry established a Capital Project Monitoring Team that ensures better control over the Capital Project implementation. In addition, a Capital Project Implementation Policy will be developed to guide the Councils on the implementation phases of the development projects.*
- *The Ministry has undertaken ad-hoc audits in the financial year under review. However, from the 2022-2023 financial year, there are structured and scheduled audits that will be carried out in each quarter.*

*Oversight role of the Ministry in getting pending Municipal Councils Audits to be completed.*

- *The Ministry of Local Government, on a regular basis monitors the financial updates of the Municipal Councils. It is worth noting that the Councils have been quite behind with their financial statements previously. However, the Ministry has collaborated with the Councils to ensure that their accounts are updated and submitted to the Office of the Auditor General in a timely manner.*
- *The Councils were behind in the compilation of financial statements for some years, reason being the requirements to upgrade the financial reporting to International Financial Reporting Standards (IFRS). This had seen a major shift required in recording and reporting to which Councils had to adjust.*
- *Thus, the Municipal Councils have improved in preparation of financial accounts and working towards improving audit opinion as well through recruitment of officers with the right skills. Majority of the*

Councils have updated their financial accounts and have submitted the copy to OAG for auditing. The leading Council with the updated financial accounts for Financial Year 2021/2022 is Savusavu Town Council.

- The Ministry has set specific key performance indicators for the Special Administrators whereby the Special Administrators are required to bring the audited accounts up to date. The Teams of Special Administrators are tasked to set the KPIs of the Chief Executive Officers accordingly.
- The Ministry of Local Government conducts audits of the Municipal Council accounts taking into consideration the financial issues. A matrix of significant matters raised as qualification issues were compiled by the Ministry and sent to the Municipal Councils to address the issues. The Councils are required to ensure that there are no recurring matters brought to current audit.
- The Ministry has been collaborating with the Municipal Councils to ensure the issues highlighted by the Office of the Auditor General over the years have been implemented to avoid recurrence of the matters in the future audit reports. The Chief Executive Officers have been tasked to have appropriate internal control measures to keep checks and balances on the deficiencies identified.
- To assist the Municipal Councils to enhance efficiency in their operations, the Ministry has carried out fundamental Institutional Reforms in the Councils. These reforms are carried out through the review of Council Policies/Manuals, implementing strategies and plans, and the recruitment of competent personnel to effectively carry out the functions of the Councils.
- Furthermore, it is a mandatory requirement that all Councils provide monthly updates on the status of their annual reports.

## PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

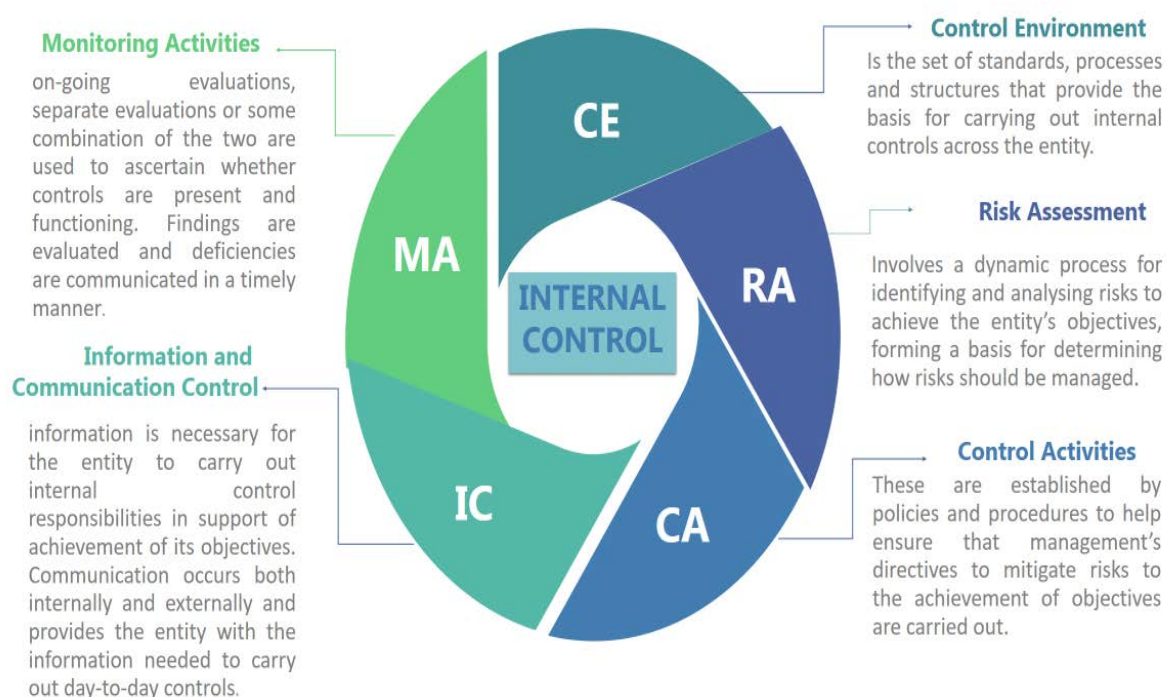
### 37.4 Internal Controls

During our audits, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

A *deficiency* occurs when internal controls are unable to prevent, detect or correct errors in the financial statements or where controls are missing.

A *significant deficiency* is a deficiency that either alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

Internal controls are categorized against the following five components of internal control.



A summary of assessment of key controls based on our audit was as follows:

Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
🟢 Effective	🟢 Effective	🟢 Effective	🟢 Effective	🟡 Generally effective

In view of the above, we have assessed the internal controls of the Ministry of Local Government as:

Rating	Internal control assessment
Effective	No deficiencies identified in internal controls

### 37.5 Submission of FY 2021-2022 Draft Agency Financial Statements

On 29 April 2022, Permanent Secretary for Finance issued Circular No. 06/2021-2022 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2022 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 08 August 2022	✓	Cancellation of unprocessed purchase orders by 18 July 2022	✓
Clearance of Inter-departmental clearance accounts by 05 August 2022	✓	Processing of payments by 28 July 2022	✓
Clearance of stale cheques by 05 August 2022	✓	Processing of virement by 27 July 2022	✓
Annual Board of Survey on Drawings Account cheques by 26 August 2022	✓	Completion of reconciliations by 26 August 2022	✓
Retirement of imprests by 15 July 2022.	✓	Submission of arrears of revenue returns by 26 August 2022	Not Applicable

When ministries and departments achieve the key focus areas highlighted by the Permanent Secretary for Finance by the given dates, they are more likely to prepare accurate and timely draft financial statements for audit.

Based on information received, we have assessed the year-end close process as:

Rating	Year-end close process assessment
Effective	All 10 key processes completed by due date

### 37.6 Quality of draft financial statements by Entities

The extent of audit adjustments made to draft financial statements indicates the effectiveness of an entity's internal review processes before the accounts are submitted for audit.

We assessed the quality of financial statements by the impact these adjustments had on the operating results or net assets of the entity subject to our audit. Our assessment for the Ministry of Local Government was:

Rating	Quality of draft financial statements assessment
Effective	No Adjustments were required

### 37.7 Timeliness of Draft Financial Statements

To assess the timeliness of acceptable draft financial statements, we have compared the date the draft financial statements were due and the date it was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of draft financial statements assessment
☀ Generally Effective	Acceptable draft financial statements received on or before 31 October 2022

### 37.8 Timeliness of Provision of Management Comments and Financial Statements for Signing

To assess the timeliness of provision of management comments and signing of financial statements, we have compared the date the draft management letter and audited financial statements were issued to entity and the date management comments and signed accounts were received.

Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
☹ Ineffective	Management response received after 21 days

Rating	Timeliness of Signed Financial Statements Received
☀ Generally Effective	Signed accounts was received within 15 days



## APPENDIX 37.1: OPERATING AND CAPITAL GRANTS PAID TO MUNICIPAL COUNCILS

### Operating Grants paid to Municipal Councils

Description	2022 (\$)	2021 (\$)	2020 (\$)	2019 (\$)	2018 (\$)	Total (\$)
Waste subsidy - Municipal Council	3,705,000.00	2,544,999.42	2,786,145.40	1,401,500.00	509,832.64	10,947,477.46
Beautification of Heritage Buildings - Levuka Town Council	25,000.00	6,250.00	25,000.00	200,000.00	-	256,250.00
CEO Salaries for Municipal Councils (Rakiraki/Tavua, Levuka, Savusavu and Sigatoka)	147,230.43	200,000.00	298,000.00	160,000.00	208,000.00	1,013,230.43
<b>TOTAL</b>	<b>3,877,230.43</b>	<b>2,751,249.42</b>	<b>3,109,145.40</b>	<b>1,761,500.00</b>	<b>717,832.64</b>	<b>12,216,957.89</b>

### Capital Grants paid to Municipal Councils

Description	2022 (\$)	2021 (\$)	2020 (\$)	2019 (\$)	2018 (\$)	Total (\$)
Upgrading of Churchill Park	65,945.00	-	-	-	-	65,945.00
Savusavu Town Council compactor truck	870,000.00	-	-	-	-	870,000.00
Levuka Town Council market	288,811.73	-	-	-	-	288,811.73
Completion of Namaka Market	72,813.90	-	525,355.33	-	-	598,169.23
Completion of Swimming Pool	33,790.00	-	641,250.60	-	-	675,040.60
Savusavu Town Council market	136,106.94	-	-	-	705,000.00	841,106.94
Challenge and Investment Fund	-	754,187.04	1,440,884.73	1,720,000.00	3,379,325.73	7,294,397.50
Rakiraki Bus Station	-	-	31,780.03	-	-	31,780.03
Govind Park, Ba	-	-	410,000.00	1,000,000.00	1,600,000.00	3,010,000.00
Lautoka Market - ventilation & lighting	-	-	-	81,800.00	-	81,800.00
Completion of Laqere Market	-	-	-	500,000.00	-	500,000.00
Lautoka botanical garden	-	-	-	2,500,000.00	-	2,500,000.00
Rakiraki Market	-	-	-	-	840,000.00	840,000.00
<b>TOTAL</b>	<b>1,467,467.57</b>	<b>754,187.04</b>	<b>3,049,270.69</b>	<b>5,801,800.00</b>	<b>6,524,325.73</b>	<b>17,597,051.03</b>

**APPENDIX 37.2: STATUS OF THE MUNICIPAL COUNCILS AUDIT AS AT 31/08/23**

<b>Municipal Council</b>	<b>Last audit completed</b>	<b>Draft FS Received</b>	<b>Draft FS not submitted for audit</b>
Suva	2018	2019	2020 - 2022
Lami	2015	2016 – 2018	2019 - 2022
Sigatoka	2020	-	2021 - 2022
Nadi	2017	-	2018 - 2022
Lautoka	2016	2017 – 2019	2020 - 2022
Ba	2019	2020	2021 - 2022
Tavua	2020	-	2021 - 2022
Nausori	2018	-	2019 - 2022
Nasinu	2014	2015 – 2022	-
Levuka	2017	-	2018 - 2022
Rakiraki	2022	-	-
Savusavu	2016	2017 – 2022	-
Labasa	2018	2019 – 2021	2022



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